UNITED
NATIONS

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Economic and Social Council

Distr.
GENERAL

E/C.10/AC.3/1990/1
15 January 1990

ORIGINAL: ENGLISH

COMMISSION ON TRANSNATIONAL CORPORATIONS
Intergovernmental Working Group of
Experts on International Standards
of Accounting and Reporting
Eighth session
13-23 March 1990
Item 2 of the provisional agenda

ADOPTION OF THE AGENDA AND OTHER ORGANIZATIONAL MATTERS

Provisional agenda

1. Election of officers.

2. Adoption of the agenda and other organizational matters.

3. Programme of work of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting.

4. Provisional agenda for the ninth session of the Group.

5. Adoption of the report of the Group on its eighth session.

Annotations

1. Election of officers

The proceedings of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting are governed, mutatis mutandis, by the rules of procedure of the Economic and Social Council. Rule 18 thereof provides that the Bureau shall consist of five officers. The Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting may therefore wish to elect a Chairman, three Vice-Chairmen and a Rapporteur. Rule 19 prescribes that the Chairman and Vice-Chairmen shall hold office until their successors are elected. They shall be eligible for re-election.

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2. Adoption of the agenda and other organizational matters

The provisional agenda and documentation for the eighth session of the Group were approved by the Commission on Transnational Corporations at its fifteenth session in decision 1989/1.

The Group shall, in accordance with rule 13 of the rules of procedure of the Council, adopt the agenda for the session on the basis of the provisional agenda. The Group will also decide on the organization of its work for the session.

3. Programme of work of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting

(a) Review of important current developments at the global and national levels in the field of accounting and reporting by transnational corporations, on the basis of documentation received by the Centre on Transnational Corporations from:

(i) Individual member States;

(ii) Intergovernmental organizations;

(iii) Non-governmental organizations;

Documentation

Report of the Secretary-General on the review of important current developments at the global level in the field of accounting and reporting by transnational corporations (E/C.10/AC.3/1990/2)

Report of the Secretary-General on the review of important current developments at the national level in the field of accounting and reporting by transnational corporations (E/C.10/AC.3/1990/3)

Report of the Secretary-General on the international survey of financial statements published by transnational corporations and other enterprises (E/C.10/AC.3/1990/4)

(b) Discussion of accounting and reporting issues identified during the seventh session:

(i) Disclosure of information relating to environmental measures;

(ii) Accounting for pension costs;

(iii) Accounting for and by joint ventures;

(iv) Accounting for intangible assets, including goodwill, software and so forth;

(v) Issues related to clarifying terms and concepts used in the agreed conclusions;

Documentation

Report of the Secretary-General on information disclosure relating to environmental measures (E/C.10/AC.3/1990/5)

Report of the Secretary-General on accounting for pension commitments (E/C.10/AC.3/1990/7)

Report of the Secretary-General on accounting for and by joint ventures (E/C.10/AC.3/1990/8)

Report of the Secretary-General on accounting for intangible assets (E/C.10/AC.3/1990/9)

(c) Identification of accounting and reporting issues for discussion on a priority basis during future sessions;

(d) Further steps to be taken in relation to the development of the comprehensive information system;

Documentation

Report of the Secretary-General on further steps to be taken in relation to the development of the comprehensive information system (E/C.10/AC.3/1990/10)

(e) Accounting and reporting issues arising out of the future code of conduct on transnational corporations;

(f) Appropriate measures to give effect to the work of the Group;

Documentation

Report of the Secretary-General on appropriate measures to give effect to the work of the Group (E/C.10/AC.3/1990/6)

(g) Ways and means of improving education, research and practical training in the field of accounting and reporting in member States.

Documentation

Report of the Secretary-General on ways and means of improving education, research and practical training in the field of accounting and reporting in member States: results of the survey relating to Africa (E/C.10/AC.3/1990/11)

4. Provisional agenda for the ninth session of the Group

Pursuant to paragraph 3 of Economic and Social Council resolution 1894 (LVII), the Group will have before it the draft provisional agenda for its ninth session, with an indication of the documents to be submitted under each item and the legislative authority for their preparation, in order to enable the Group to consider those documents from the point of view of their contribution to the work of the Group, their urgency and their relevance in the light of the current situation.

In resolution 1979/41, the Council decided that the provisional agenda for its subsidiary bodies, together with the list of requested documentation, should be submitted to the Council for its review, in order, inter alia, to establish greater consistency between the requests for documentation and the medium-term plan and the programme budget.

By resolution 1989/114 on further measures for the implementation of Council resolution 1988/77 on the revitalization of the Economic and Social Council, the Council urged its subsidiary bodies to implement fully resolution 1979/41 in submitting to the Council for consideration their provisional agenda together with the list of requested documentation, with a view to ensuring greater consistency in requests for documentation and improving reporting procedures. In this connection, it will be recalled that the Council urged all its subsidiary bodies to exercise the utmost restraint in making requests of the Secretary-General for new reports and studies and to implement fully the decisions of the Council and of the General Assembly with respect to the control and limitation of documentation (Council resolutions 1981/83 and 1982/50).

By decision 1983/163, the Council decided to request the Secretary-General to bring to the attention of intergovernmental and expert bodies, before decisions are adopted, any request for documentation that exceeds the ability of the Secretariat to prepare and process on time and within its approved resources and to draw the attention of intergovernmental bodies to areas where opportunities for integrating or consolidating documents that deal with related or similar themes might exist, with a view to rationalizing documentation.

Documentation

Draft provisional agenda for the ninth session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting: note by the Secretary-General

5. Adoption of the report of the Group on its eighth session

The Group will report to the Commission on Transnational Corporations at its sixteenth session.

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Economic and Social Council

Distr.
GENERAL

E/C.10/AC.3/1990/2
5 January 1990

ORIGINAL: ENGLISH

COMMISSION ON TRANSNATIONAL CORPORATIONS
Intergovernmental Working Group of
Experts on International Standards
of Accounting and Reporting
Eighth session
13-23 March 1990
Item 3 (a) of the provisional agenda*

PROGRAMME OF WORK OF THE INTERGOVERNMENTAL WORKING GROUP OF EXPERTS ON THE INTERNATIONAL STANDARDS OF ACCOUNTING AND REPORTING: REVIEW OF IMPORTANT CURRENT DEVELOPMENTS AT THE GLOBAL AND NATIONAL LEVELS IN THE FIELD OF ACCOUNTING AND REPORTING BY TRANSNATIONAL CORPORATIONS

Review of important current developments at the global level in the field of accounting and reporting by transnational corporations

Report of the Secretary-General

SUMMARY

This report assesses current developments in the field of accounting and reporting at the global level. As accounting developments often follow economic ones, this analysis discusses a number of economic trends or problems which have accounting implications. Subjects considered include the instability of financial markets, environmental information disclosure, European economic integration and glasnost. Finally, the activities of international and regional organizations are reviewed.

* E/C.10/AC.3/1990/1.

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INTRODUCTION

1. During its seventh session the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting for the first time considered current developments in the field of accounting and reporting at the global level. The four areas selected for review during that session remain equally valid for the eighth session. Matters discussed at the seventh session included improving the comparability of financial statements, accounting for new financial instruments, instability in global financial markets and environmental information disclosure.

2. Two more areas of concern have come to the forefront during 1989, and they are largely the result of concerted moves, on the one hand, and sometimes unexpected moves, on the other, towards greater economic unity in Europe. For example, there are the slow, deliberate steps towards forming an integrated European community by the end of 1992. In contrast are the rapid moves towards the liberalization of the political and economic systems of the centrally planned economies. Both movements have implications for information disclosure and harmonization of accounting standards.

I. GLOBAL ISSUES IN THE FIELD OF ACCOUNTING AND REPORTING

A. Instability in global financial markets

3. The positive relationship between improved information disclosure by transnational corporations and greater investor confidence has long been attested to by accounting experts. Generally, greater investor confidence increases investment flows, lowers capital costs and contributes to the stability of financial markets. In fact the ability of enterprises to raise capital from investors is dependent on the stability of the market. During 1989, the main financial markets continued to be plagued by volatility caused by a variety of factors from trading techniques to the availability of finance for mergers and acquisitions. Small investors have stayed out of the markets since the October 1987 crash, and the large institutional investors (insurance companies, Wall Street firms, pension funds) have become the dominant investors. This is not necessarily bad for the market, because such large investors might be better able to process and analyse financial information and thus allocate their capital more efficiently. However, their presence and practices have prolonged the instability of the market despite the adoption of certain ad hoc measures, such as "circuit breakers". This was recently demonstrated by the dip in the Dow Jones industrial average in October 1989. The fact that the value of the businesses quoted on Wall Street fell by nearly 7 per cent in two hours left investors wondering if such a market can be efficient.

4. It appears that some institutional investors have been engaging in certain tactics designed to earn "speculative profits", such as index arbitrage and programme trading. As managers of large pools of capital, they can create and profit from volatility. For example, some institutional investors sell large blocks of stock in one market, driving down prices, and then take the opposite position in the other market. Thus, they sell a stock or a bundle of stocks high

and buy the same stock or stocks back at lower prices. Their actions are motivated by the desire to make short-term gains and not by the desire to invest in the long-term future of a particular enterprise. Thus, there are those who question whether the financial market is driven by relative performance or speculation.

5. Authorities responsible for the various global capital markets have not yet adopted any comprehensive measures to deal with the October 1987 crash or its aftermath. For example, few of the Brady Plan proposals for re-regulation have been adopted, given the deregulatory climate of the last few years. The Commission's calls for greater inter-market co-ordination among regulatory agencies and for the co-ordination of clearing and settlement systems across markets have not been heeded. Fragmentation of the market system and regulatory oversight makes it much easier for a limited number of players to bring down part of the system. Better co-ordination would enable quick analysis of market conditions which would make it possible to detect and cure developing problems. Some amount of self-policing has occurred, in that a number of large investment houses have voluntarily given up programme trading in the hopes of inspiring greater investor confidence. However, the problem of volatility will only be solved by more comprehensive reforms. Towards that end, the Chairman of the New York Stock Exchange has formed a panel to study market volatility and investor confidence. Meanwhile, the prevalence of speculative activity does not render unnecessary the need for information disclosure. Non-speculative investors, whether large or small, still need information in order to allocate their capital efficiently.

6. One development reviewed during the seventh session was that of new financial instruments (NFIs). They are used to hedge against present or future risks, to exploit technical spreads between comparable markets or to speculate on price fluctuations. They are changing the functioning of financial markets and the management of risk. For example, enterprises have greater ability to control their exposure to interest rate and exchange rate changes through the use of NFIs. Regarding the impact of NFIs on the stability of the market, it is not clear whether volatility will be increased or decreased. On the one hand, they can increase market stability by promoting allocative efficiency by improving pricing, increasing product range and managing contingencies better. On the other hand, they can distort resource allocation, since these financial transactions have no direct link with production or capital formation. Their use by financial institutions and non-financial institutions can have significant implications for the financial position and performance of these enterprises. However, the actual amounts involved and the degree of exposure are not apparent to users of financial statements. The possible existence of hidden liabilities puts creditors, employees and shareholders at risk. Consequently, transparency or disclosure of the financial situation of enterprises using these instruments is essential. But the rapid growth of NFIs has not been accompanied by the development of new accounting and reporting requirements. There are still no international standards in this area. Enterprises need to improve disclosure in three areas: the volume of their transactions or commitments, their degree of exposure to risk and the accounting principles they use. This immediately raises the traditional problems of when to recognize off-balance sheet items and then how to measure them. The question is whether these twin problems can be resolved within the existing conceptual frameworks or guidelines. Disclosure is not a solution to all problems causing

volatility, but internationally harmonized disclosure about new financial instruments will increase confidence and stability.

7. The Basle Committee on Banking Regulation and Supervisory Practices has adopted recommendations on capital adequacy which include off-balance sheet items. Two other international groups are actively working on NFIs - the Working Group on Accounting Standards of the Organisation for Economic Co-operation and Development (OECD) and a Steering Committee of the International Accounting Standards Committee (IASC). The OECD considers that the risks presently incurred by banks and non-banks require special attention and is seeking ways to improve disclosure of information. It convened a special session on NFIs, from 8-9 November 1989, which reviewed the main approaches to disclosure, the recognition and measurement of NFIs, the recognition of gains and losses relating to NFIs and suggestions for the international harmonization of accounting and reporting for NFIs. The IASC Steering Committee has undertaken a joint project with the Canadian Institute of Chartered Accountants. As a first step, a draft statement of principles has been prepared. The intention is to issue an exposure draft by March 1991.

B. European economic integration, 1992

8. Renewed efforts to achieve a single European market by the end of 1992 will also give a certain impetus to the harmonization of accounting standards, reinforcing the implementation of the Fourth and Seventh Directives of the Council of Ministers of the European Communities. (For a full discussion of these changes, see the report of the Secretary-General on recent developments related to transnational corporations and international economic relations to be submitted to the Commission on Transnational Corporations at its sixteenth session.) It should be noted that these directives will not bring about total uniformity in financial statements but rather will improve their comparability. With the creation of a single market, it will be increasingly more difficult to justify the use of fragmented accounting rules, which produce radically different results in financial statements.

9. Some sceptics feel that comparability will only be achieved if there is a demand for it. It appears that new European market pressures could create that demand. Take for example, the dramatic increase in mergers and acquisitions within the European Community. During 1988 there were 210 cross-border mergers and 587 during the first half of 1989. As the intensity of this activity increases, so does the debate over accounting for goodwill and other items. Accounting authorities will have to come to grips with them. The criteria relating to the recognitio of assets and the reliability of measurement are subject to many different interpretations resulting in diverse accounting practices for goodwill ranging from capitalization with long period of amortization to immediate write-offs. Takeovers involving large write-offs lead to distorted balance sheets for many enterprises. In the case where goodwill is greater than buyers' reserves, the consolidated accounts show negative shareholders' equity. Some countries are finding that it is not reasonable to write off good assets immediately. The Accounting Standards Committee (United Kingdom) has set up a working party to undertake a fundamental review of acquisitions, mergers, goodwill and fair value.

Other countries find that they are at a disadvantage in take-over battles where rival bidders can immediately write off goodwill to shareholder equity thus leaving their income intact. The IASC is dealing with the question of goodwill within the context of revising International Accounting Standard (IAS) 22, Accounting for Business Combinations. The preferred treatment would be to amortize goodwill to income on a systematic basis over its useful life. The Intergovernmental Working Group will also take up the question of intangibles, including goodwill, at its eighth session.

10. Besides the problem of accounting for goodwill, mergers and acquisitions raise other problems for financial statements. At a meeting of financial executives in New York, accountants observed that current accounting standards fail to record the actual current value of assets after a leveraged buy-out. They agreed that new measurements are needed to show future cash flows based on how the company will be restructured.

C. Joint ventures under glasnost

11. While 1992 promises to improve comparability of accounting standards, perestroyka could have the opposite effect in the short run. Certainly, the pace of harmonization will slow as accounting experts struggle first to understand and then to suggest modifications in the accounting regulations of centrally planned economies. Eventually, however, the integration of centrally planned economies into the global economy and their acceptance of international accounting standards will improve comparability world wide.

12. The change may not be easy if the accounting dilemmas of the partners of numerous East-West joint ventures are any indication of the future course of harmonization. One of the major vehicles for increased East-West business co-operation has been joint ventures. By the end of 1989, there were some 1,200 joint ventures registered in the Soviet Union, over 600 in Hungary, almost 200 in Poland and some 20 in Czechoslovakia. Based on its initial capitalization, the typical Soviet joint venture continues to be relatively small (2 million roubles), and the size of foreign investment is less than 1 million roubles.

13. While most joint ventures are small in terms of the average amount of foreign capital invested, their potential benefits are much larger in terms of their ability to relieve strategic shortages and bottle-necks, to earn or save foreign exchange and to accelerate the transfer of technology and management know-how. So far, however, only a small number of joint ventures which have been concluded are fully operational. Start-up operations must overcome many hurdles. Western partners face uncertainties regarding the repatriation of profits, access to raw materials, availability of adequately trained local management personnel and other staff and certain incompatibilities in accounting systems. The last of these factors includes the recognition of revenues, expenses and certain liabilities, depreciation methods, valuation of assets and, most important of all, the determination of profits. The last problem is critical, since a profits tax is levied once the joint venture's tax holiday runs out. Pending the resolution of these conflicts, firms are calling for an extension of the tax exemption.

14. Differences in national accounting regulations are inevitable, since national rules are products of different economic and social environments. Therefore, when the economic and social systems of the partners differ, it is not surprising that their national accounting and reporting requirements would diverge as well. The Soviet accounting system, in particular, has been designed to provide economic information which is necessary for central planning and for controlling the Soviet economy. In contrast, the accounting systems of the Western partners provide information for a number of users, including present and potential investors, lenders, suppliers and customers, employees and Governments of home and host countries.

15. Of all the problems impeding the successful operation of joint ventures, accounting problems may be the ones most easily tackled. This is due to the growing recognition that international accounting is the language of international business. A common language facilitates interaction, particularly among business partners who must be able to understand and evaluate business transactions. Consequently, there is a willingness on the part of Soviet authorities to consider solutions based on internationally accepted standards or the lingua franca of the international business community.

16. Recently, a number of problems have been resolved by the Soviet Ministry of Finance. For example, revenue recognition by joint ventures now complies with the "matching" concept, in that sales receipts are recognized when the goods are dispatched or the services are rendered and not when payment is received, so that revenues are "matched" with the expenses that are instrumental in generating the revenues.

17. Second, the recording for depreciation, capital repairs and capital investments will be changed. Depreciation will be calculated only for fixed assets. Since there are no written instructions for intangible assets, joint ventures will be allowed to amortize them. The cost of capital repairs will be included in the cost of goods. Third, the order of the profit allocated to social and cultural amenities for employees will be deducted before taxes, and the part of the profits allocated to the development fund and for the special purpose fund will be deducted after taxes.

18. Despite these modifications, much remains to be done. The following are among the most pressing problems to be resolved:

(a) Determination of costs to be included in the cost production;

(b) Treatment of the economic stimulation fund as either a production cost or part of profit;

(c) Determination and distribution of profits;

(d) Choice of inventory valuation method;

(e) Provision for bad debts;

(f) Valuation of contributed assets;

(g) Valuation of local inputs.

D. Accounting for environmental measures

19. Seven days after the close of the seventh session of the Intergovernmental Working Group, the Exxon Valdez struck a reef in Alaska's Prince William Sound and began leaking 11 million gallons of crude oil into the pristine waters and bays. The out-of-pocket costs to Exxon for this environmental disaster were estimated to be $1.25 billion, one third of which was covered by insurance. This does not take into account lost wildlife and livelihoods in the surrounding communities. Since Exxon had no regular accruals for such liabilities, even though every shipment carried a risk depending on the adequacy of Exxon's safety practices, Exxon accountants wrote off $850 million in clean-up costs, reducing Exxon's first quarter net income to $160 million compared to $1.2 billion earned the previous year in the same quarter. Writing off such a large expense violated the standard accounting principle of matching costs with the revenues they earned. It was concern over this very type of situation which led the Intergovernmental Working Group to initiate a technical study reviewing traditional accounting practices dealing with environmental protection measures.

20. The Group was also concerned by the fact that the lack of international standards in the area creates an unlevel playing field for enterprises which are environmentally responsible. Those enterprises which do take preventive measures (instead of emergency measures) inevitably have lower earnings per share. The latest World Survey of Published Accounts by D. J. Tonkin (Lafferty Publications, 1988) found that 87 per cent of the companies surveyed (200) disclosed no information regarding environmental protection. Indications of the costs incurred or the results achieved were even more rare, being reported by only 6 per cent and 4 per cent of the companies. Without either of these, all too often the statements became meaningless general statements of good intentions rather than statements of achievements. The costs of environmental protection are affecting and have affected enterprises income statements and balance sheets, but since these costs are not segregated from other operating and capital costs, there is no way for the public to know precisely how adequately the enterprise is fulfilling its responsibility for environmental protection.

21. One enterprise, which declined to participate in the Intergovernmental Working Group's survey of existing accounting practices in the area, excused itself by stating that in general terms, its policy as regards environmental matters was well grounded in our culture and was most recently communicated to its shareholders in its second quarter report. The quarterly report contained a half page assuring stockholders that while the enterprise had its share of environmental problems (no details provided), it intended to be part of the solution (no details either). During the past year environmentalists have been urging accountants to play a more active role in this area, since existing accounting practices regarding environmental measures must be improved if financial statements are to give a true and fair view of the enterprise's operations.

22. The International Chamber of Commerce organized a symposium on Environmental Auditing in June 1989. Environmental auditing assesses and verifies the compliance status of operations with present and known future regulations, with company policy and procedures and with good environmental management practices. An environmental audit can ensure that an effective environmental management system is functioning properly. Many enterprises have adopted environmental auditing, since they realize it is a good business strategy. Environmental audits can identify potential environmental risks and thus reduce costs. During the symposium, environmentalists urged industry to make public the results of their environmental audits in order to improve public confidence. The industry view was that environmental audits were strictly an internal management tool, and their findings were for the exclusive use of the company in carrying out its responsibility to correct environmental deficiencies. Interested parties, such as insurers, stated they needed to have access to such audits, since they must be able to calculate the potential damages arising from the enterprise's operations.

23. In September 1989 the Social Investment Forum called upon United States corporations to adopt the Valdez Principles, created by the Coalition for Environmentally Responsible Economies Project, which set forth broad standards for evaluating activities by corporations that directly or indirectly impact the earth's biosphere. Corporations adopting these principles could affirm their belief that they had a direct responsibility for the environment. Principle 8 concerned disclosure and principle 10, assessment and annual audits.

24. The Intergovernmental Working Group will consider a report by the Secretary-General on this topic during its eighth session, and it could form the basis for arriving at some preliminary conclusions on accounting for environmental measures as well as for recommending further work.

II. ACTIVITIES OF VARIOUS INTERNATIONAL INSTITUTIONS

A. European Economic Community (EEC)

25. Council Directive 89/117/EEC of 13 February 1989 (Official Journal, No. L 44 of 16 February 1989) requires branches of credit institutions and financial institutions having their head offices in another EEC member State to publish the annual accounting documents of the credit institutions or financial institutions. Member States may no longer require branches to publish annual accounts relating to their own activities. However, during a transitional period, member States may still require branches to publish certain information on their activities.

26. If the annual accounting documents of credit institutions or financial institutions having their head offices outside the EEC have not been drawn up in conformity with or are not equivalent to, documents drawn up in accordance with EEC accounting directives, and if the conditions of reciprocity for Community credit institutions and financial institutions are not fulfilled, member States may still require the branches to publish annual accounts relating to their own activities.

27. The Directive must be implemented by member States before 1 January 1991 with a possible extension of the first application of the implementing legislation until the financial year 1993.

28. Four proposed directives are actually being discussed within the framework of the Council of Ministers, after having been amended by the Commission, following the opinions of the European Parliament and the Economic and Social Committee.

(a) Proposal for an Eleventh Council Directive, concerning disclosure requirements in respect of branches opened in a member State by certain types of companies governed by the law of another State (Official Journal, No. C 203 of 12 August 1986; Official Journal, No. C 105 of 21 April 1988): This Directive will require branches to disclose certain information, including the accounts of the foreign company. If the company is established in a third country, the accounts must be presented in a manner which is at least equivalent to accounts prepared under EEC accounting directives.

(b) Proposal for a Council Directive amending the Fourth Directive on annual accounts and the Seventh Directive on consolidated accounts with respect to the exemptions for small and medium-sized companies and to the drawing up and publication of accounts in European Currency Units (ECU) (Official Journal, No. C 287 of 11 November 1988): This Directive will increase and further harmonize accounting exemptions, especially for small companies. It will also allow companies to publish their annual accounts and consolidated accounts in ECU.

(c) Proposal for a Council Directive amending the Fourth Directive on annual accounts and the Seventh Directive on consolidated accounts as regards the scope of those Directives (Official Journal, No. C 144 of 11 June 1986): This Directive will extend the scope of application of the accounting directives to those partnerships and unlimited companies where all unlimited members are constituted as limited liability companies.

(d) Proposal for a Council Directive on the annual accounts and consolidated accounts of insurance undertakings (Official Journal, No. C 131 of 18 May 1987): This Directive is largely based upon the Fourth and Seventh Directives. It contains only those derogations which are felt necessary to take account of the special nature of the insurance activity.

29. On 17-18 January 1990, the Commission will organize a conference in Brussels on the future of the harmonization of accounting standards within the EEC. This conference will deal with the results achieved so far and will provide guidance to the Commission on future action.

B. Organisation for Economic Co-operation and Development (OECD)

30. In the context of its efforts to promote international harmonization of accounting standards and practices, the OECD Working Group on Accounting Standards continued its consideration of segmentation of information. It was apparent that, due to concerns on this subject expressed by delegates from certain member

countries, it would not be possible for the OECD Working Group to unanimously endorse the proposed conclusions that had been developed in its report. It was agreed that the report was of excellent quality, and that it should be published under the authority of the OECD Secretariat, since it contained a useful discussion of the issues that are pertinent to this subject.

31. High priority continues to be given to work on accounting and reporting issues related to new financial instruments. A two-day special session on the subject was held in November 1989. This was a follow-up to the international symposium held in May 1988, and brought together representatives of OECD member States, banking and supervisory authorities, national and international standard-setting bodies and representatives of the accounting profession. The OECD Working Group will continue to monitor the development of accounting and reporting standards in this area.

C. International Accounting Standards Committee (IASC)

32. The IASC issued the following new standards and exposure drafts in 1989:

1. Standards

IAS 27, Consolidated Financial Statements and Accounting for Investments in Subsidiaries

IAS 28, Accounting for Investments in Associates

IAS 27 and IAS 28 were published on 1 April 1989 and are effective for accounting periods beginning on or after 1 January 1990. IAS 27 and 28 together supersede IAS 3. The main changes in IAS 27 are a broader definition of "control" and the requirement to consolidate those subsidiaries whose business activities are dissimilar to those of the other enterprises in the group. IAS 28 revises the definition of an associate to place greater emphasis on the need for the investor to have significant influence over the investee.

IAS 29, Financial Reporting in Hyperinflationary Economies

IAS 29 was published on 1 July 1989 and is effective for accounting periods beginning on or after 1 January 1990. IAS 29 stipulates that an enterprise which reports in the currency of a hyperinflationary economy should present primary financial statements stated in terms of the measuring unit current at the balance sheet date.

Framework for the Preparation and Presentation of Financial Statements

IASC has published its Framework for the Preparation and Presentation of Financial Statements, which was approved at its Board meeting in April 1989. The Framework deals with the objectives of financial statements, the qualitative characteristics that determine the usefulness of information in

financial statements, the definitions, recognition and measurement of the elements from which financial statements are constructed and the concepts of capital and capital maintenance. The Framework will assist the Board in the development of future international accounting standards and in the review of existing Standards. The Framework will also assist preparers of financial statements in resolving issues not specifically dealt with in international accounting standards.

2. Exposure drafts

E 32, Comparability of Financial Statements

This exposure draft was published on 1 January 1989 and is open for comment until 30 September 1989. It proposes to revise 13 existing International Accounting Standards by eliminating 23 alternatives currently allowed and designating 15 treatments as preferred treatments for which there are allowed alternative treatments. Financial statements in which an allowed alternative has been elected would require reconciliation to the preferred treatment to be in accordance with International Accounting Standards. The Standards that are proposed to be revised include accounting for goodwill, inventories, leases, retirement benefits, development costs, foreign exchange gains and losses and investments. The Board of IASC considers this to be a highly significant exposure draft, particularly in view of the increasingly international nature of financial markets. The Board will be reviewing responses to the Exposure Draft at its March 1990 meeting.

E 33, Accounting for Taxes on Income

This exposure draft, published on 1 January 1989 and open for comment until 30 September 1989, proposes to revise IAS 12. Among other things, it requires the use of the liability method. It also proposes to identify comprehensive application to all timing differences as the preferred treatment, permitting partial application as an allowed alternative for those timing differences for which there is reasonable evidence that they would not reverse for some considerable time and that, when they did reverse, they would be replaced by equivalent timing differences.

E 34, Disclosure in the Financial Statements of Banks and Similar Financial Institutions

This exposure draft was published on 1 July 1989 and is open for comment until 31 December 1989. It is derived from E 29, Disclosures in the Financial Statements of Banks, which was issued in 1987. The substantial majority of respondents to E 29 indicated broad support for the proposals in the exposure draft. In the revised draft, E 34, three major issues are addressed - conformity with the European Community Directive on the annual accounts and consolidated accounts of banks and other financial institutions; the proposals on capital convergence published by the Basle Committee on Banking Regulations and Supervisory Practices; and the expansion of off-balance sheet items.

E 35, Financial Reporting of Interests in Joint Ventures

E 35 was published on 1 December 1989 and is open for comment until 31 May 1990. The draft considers accounting for interests in jointly controlled operations, assets and entities.

3. Other projects

(a) Financial instruments

A Steering Committee is developing an international accounting standard on accounting for financial instruments and expects to publish a statement of position in November 1989 that deals with the underlying accounting principles and premises which will form the basis for an exposure draft and the issues dealt with in the project. There has recently been rapid development in this area, and information about financial instruments is important in an assessment of the financial position and performance of many reporting enterprises. Such enterprises include the financial institutions that develop the instruments and the enterprises that use the instruments.

(b) Needs of developing and newly industrialized countries

The Board of IASC has formed a Steering Committee to carry out a comprehensive review of the financial reporting needs of developing and newly industrialized countries and the way in which IASC can help meet their needs. The Steering Committee includes representatives from Jordan (Chairman), Nigeria, Malaysia, Senegal and Italy and will be assisted by representatives of the United Nations Centre on Transnational Corporations, the World Bank and the International Finance Corporation.

(c) Intangibles

A Steering Committee has been formed to develop an international accounting standard on accounting for intangibles. This issue has been addressed by standard-setters in several countries and is of current concern to a number of other countries.

D. International Federation of Accountants (IFAC)

33. During the past year there have been a number of significant developments involving IFAC which are worthy of particular note:

(a) The increasing co-operation with a number of outside bodies and regulatory agencies, such as the International Organization of Securities Commissions (IOSCO), the World Bank, the Asian Development Bank and the Basle Group of Banks, who are aware of the advantages to be obtained from using IFAC standards and guidelines;

(b) The establishment of the International Capital Markets Group jointly with the International Bar Association and the Fédération Internationale des Bourses de Valeurs. This private sector group will consider developments in world capital markets which affect the work of the three organizations;

(c) The opening of discussions with the accounting profession in the Soviet Union, Poland and Hungary, since these countries take an increasing interest in the world's capital markets.

E. Arab Society of Certified Accountants (ASCA)

34. In November 1989, ASCA held the first Arabic language international qualifying examinations in Kuwait, Saudi Arabia, Bahrain, Jordan and the United Arab Emirates. This was one of the major achievements of the Society. The study materials, including textbooks, were based on the Financial Training Courses Curriculum which were translated and published by ASCA, thus making a valuable contribution to Arab libraries and universities. With this step ASCA would, firstly, qualify Arab accountants, who constitute a cornerstone in the future economic development of the Arab world to practise on the international level, and secondly, follow up with the development of standards.

35. In April 1989, the president of ASCA was elected chairman of the IASC Steering Committee on the Development of Accounting Standards for Developing and Newly Industrialized Countries. The Committee will be examining the profession's status in developing countries in order to better support standard-setting in those countries. The Steering Committee met for the first time in December 1989 and recommended a joint programme with the United Nations; it also finalized a questionnaire on standard-setting.

36. In June 1989, ASCA was also elected to chair a steering committee, set up by the International Auditing Practices Committee (IAPC), to prepare a new guideline on obtaining knowledge of clients business. ASCA has also been elected in October 1989 to become the only Arab member of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting. These elections mark the achievements of the Arab accountancy profession and the role of ASCA in developing accountancy in the Arab world.

37. ASCA participated in the International Accounting Conference held at Georgetown University in Washington, D.C., in October 1989. At the Conference, organized by the Center of International Business and Trade and the Center for Business Government Relations of the University, a number of papers on international accounting prepared by prominent academic, scientific and professional authorities were presented. ASCA also participated in the Pan-Arab Intergovernmental Meeting on the United Nations Efforts towards the International Harmonization of Accounting and Reporting by Transnational Corporations (19-21 November 1989, Baghdad). The meeting recommended that specialized national entities should be established to develop legislation aimed at obtaining greater information disclosure by transnational corporations. Such an objective could be accomplished by holding workshops and seminars for the benefit of the concerned ministries.

38. One of the important accomplishments of ASCA during 1989 was the translation into Arabic of International Auditing Guidelines issued by the IAPC, International Accounting Standards and Framework for the Preparation and Presentation of Financial Statements issued by IASC. As for the journal, Arab Certified Accountant, it was noted that it was now in its fifth year of publication and enjoying a wide circulation.

F. Confederation of Asian and Pacific Accountants (CAPA)

39. The membership of the Confederation consists of 29 accountancy bodies from 21 countries. The twelfth CAPA Conference was held in Seoul, 17-20 September 1989, and was hosted by the Korean Institute of Certified Public Accountants. The theme of the Conference was "Contemporary Developments in the Accountancy Profession in the Asian and Pacific Region". A broad range of topics was covered in technical sessions and workshops.

40. The CAPA Conference was preceded by a consultative meeting, largely funded by the Asian Development Bank (ADB). The purpose of that meeting was to consider reports prepared by consultants appointed by the Bank pursuant to the Memorandum of Agreement entered into between CAPA and the Asian Development Bank. The Bank had approved a technical assistance grant for this project of $US 350,000, and the consultants have worked closely with the CAPA Executive Committee in preparing reports on projects defined as the development of teaching resource materials for a formal accounting technicians programme and a prefeasibility study at the conceptual level on establishing a regional accountancy development centre. A report is to be issued on the consultative meeting, and CAPA will be seeking to ensure that tangible benefits emerge from the project.

41. Links have been strengthened not only with IFAC but also with its fellow regional organizations, the Federation des Experts Comptables and the Interamerican Accounting Association, in the interests of a consistent approach to the common objectives of IFAC and its regional organizations.

G. Fédération des Experts Comptables Européens (FEE)

42. The activities of FEE respond to the needs of the European accountancy profession as a whole while taking into account the work performed by the world-wide bodies IFAC and IASC. Various ad hoc committees and working parties deal with such areas as auditing, education, management accounting and public sector accountancy, and links are maintained with relevant non-accounting bodies.

43. The only permanent technical committee of FEE is its European Community Committee, which has responsibility for formulating the views of the European profession on matters arising within the European Economic Community. Areas of particular interest include financial reporting, company law, taxation, liberalization and capital markets. The European Community Committee is a major source of technical advice to the various institutions of the Community, including the Commission, the European Parliament and the Economic and Social Committee.

44. During the period under review FEE presented, in conjunction with one of its member bodies, the Chartered Institute of Management Accountants, a conference in Paris on "Management Accounting for a Changing Europe". In addition, FEE has held, with the International Consortium on Governmental Financial Management, a conference in Cambridge (United Kingdom) on "Making Better Use of National Resources". The conference was arranged by a member body, the Chartered Institute of Public Finance and Accountancy, and sponsored by IFAC.

45. The 1989 Conference of FEE, held in Brussels, 17-19 October 1989, was organized by its two Belgian member bodies, the Institut des Reviseurs d'Enterprises and the Institut des Experts Comptables. The theme was "The European Accountant - a Professional at Your Service", and the subjects dealt with included current developments in the European Economic Community, with a special emphasis on the completion of the internal market in 1992, management accounting, public sector accountancy, and other topics relevant to the development of the professional firm.

H. Interamerican Accounting Association (IAA)

46. The IAA celebrated its fortieth anniversary in May 1989. To commemorate this milestone, 1989 was named "Year of Professional Dynamism", and the IAA held five Interamerican Regional Accounting Seminars (Puerto Rico, Costa Rica, Colombia, Ecuador and Dominican Republic) in addition to its XVIII biannual Conference, which was held in September in Paraguay. The IAA has co-sponsored events with the International Consortium for Governmental Financial Management about financial management in the public sector and about corruption and ethics. This has been the IAA's most active year to date.

47. The IAA and IFAC have embarked in a joint effort to subsidize the publication of International Accounting Standards and Auditing Guidelines in Spanish. The actual translation and printing have been an accomplishment of the Mexican Institute. As a result of this project, these international pronouncements are now available in Spanish throughout Latin America, thus improving the chances of world-wide success of the harmonization efforts.

UNITED
NATIONS

E

Economic and Social Council

Distr.
GENERAL

E/C.10/AC.3/1990/3
26 January 1990

ORIGINAL: ENGLISH

Intergovernmental Working Group of
Experts on International Standards
of Accounting and Reporting
Eighth session
13-23 March 1990
Item 3 (a) of the provisional agenda*

PROGRAMME OF WORK OF THE INTERGOVERNMENTAL WORKING GROUP OF EXPERTS ON INTERNATIONAL STANDARDS OF ACCOUNTING AND REPORTING: REVIEW OF IMPORTANT CURRENT DEVELOPMENTS AT THE GLOBAL AND NATIONAL LEVELS IN THE FIELD OF ACCOUNTING AND REPORTING BY TRANSNATIONAL CORPORATIONS

Review of important current developments at the national level in the field of accounting and reporting by transnational corporations

Report of the Secretary-General

SUMMARY

This report reviews the new legal requirements and/or standards that have recently been adopted in various countries, as well as those standards under consideration. Other information on national standards relating to the four issues identified by the Group for discussion at the eighth session - accounting for pension commitments, accounting for intangibles, information disclosure regarding environmental measures and accounting for and by joint ventures - has been included in the respective technical reports.

* E/C.10/AC.3/1990/1.

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I. NEW LEGAL REQUIREMENTS AND/OR STANDARDS GOVERNING CORPORATE ACCOUNTING AT THE NATIONAL LEVEL

1. The present report was prepared on the basis of responses to a note verbale circulated to all member Governments. A total of 32 country replies were received, and the United Nations Centre on Transnational Corporations acknowledges, with appreciation, the co-operation of the respondents in providing the information requested. Given the low response rate, the Group may wish to consider more effective ways of collecting information other than circulating a note verbale. The Centre designed a questionnaire to facilitate replies, which improved the quality of information but did not improve the response rate compared to last year. Some government departments mentioned that they had gone to considerable efforts to prepare their response and that the Centre might also wish to contact national research foundations or institutes.

II. CURRENT DEVELOPMENTS AT THE NATIONAL LEVEL

Australia

Accounting standards 1988

2. Accounting standards AAS 22, Related Party Disclosures, and AAS 23, Set-oft and Extinguishment of Debt, were issued by the accounting profession during the year. AAS 22 requires disclosure of information about an entity's relationships and transactions with related parties, including its transactions with directors, but does not require disclosure of the measured value of any related party transactions. AAS 23 specifies the circumstances in which a debt is considered to be extinguished for accounting purposes (by defeasance or otherwise), establishes the accounting methods to be employed when a debt is defeased and establishes conditions under which assets and liabilities may be set off in the balance sheet. AAS 23 was approved by the Accounting Standards Review Board (ASRB) and therefore has legislative backing. AAS 22 is currently being reviewed by ASRB. Three existing accounting standards, AAS 14, Equity Method of Accounting, AAS 18, Accounting for Goodwill, and AAS 21, Accounting for the Acquisition of Assets, were approved by ASRB during the year.

Accounting guidance releases 1988

3. Two accounting guidance releases (AGR) were issued by the accounting profession in 1988. AGR 9, Accounting for Marketable Securities, reminds preparers of financial reports that investments should not be carried in financial statements at amounts greater than their recoverable amounts. AGR 10, Measurement of Monetary Assets and Liabilities, clarifies the principle underlying the valuation of monetary assets and liabilities in the context of historical cost accounting as practised in Australia. This principle is that interest-bearing assets and liabilities should be measured at the present value of their associated cash flows, taking into account the cash flows relating to both principle and interest.

Change to standard-setting procedures 1988

4. The Australian Government and the accounting profession have agreed upon revised accounting standard-setting procedures effective from November 1988. Formerly, accounting standards were developed by the Accounting Standards Board of the Australian Accounting Research Foundation (AARF) - the technical arm of the accounting profession. The Board had been established some time ago by the accounting profession and was serviced by the AARF secretariat. After issuance by that Board, the standards were forwarded to a government-appointed Board (the ASRB) for review and approval as "approved standards" pursuant to companies' legislation. The two Boards have now been merged. The reconstituted Board is now responsible for both the development and approval of accounting standards and will be serviced by the AARF secretariat.

Developments in 1989

5. There were no additional standards or accounting guidance releases issued by the time of the reply to the note verbale (19 October 1989). However, there were a number of standards that ASRB expected to issue before the end of 1989, including the following:

AAS 1. Profit and Loss Statement;

AAS 2. Valuation and Presentation of Inventories in the Context of the Historical Cost System;

AAS 3. Accounting for Company Income Tax (Tax-Effect Accounting);

AAS 4. Accounting for the Extractive Industries.

6. AARF has issued a proposed accounting standard on "consolidated financial statements", which proposes that the criterion of control should determine the concept of the economic entity for which consolidated financial statements are to be prepared. ASRB is currently seeking to obtain the removal of perceived legislative impediments to the adoption of the concepts in that proposed standard for the preparation of consolidated financial statements by companies. AARF has issued this year a proposed accounting standard on "accounting for identifiable intangible assets" (ED 49). During the year, AARF has also devoted resources to developing standards in respect of superannuation plans, general insurance activities, accounting for investments, and reporting by financial institutions.

7. Further work was completed on the conceptual framework project, both in reviewing existing exposure drafts and in completing research preparatory to issuing exposure drafts on other matters. In 1989, exposure drafts covering other areas of the framework will be issued and it is expected that statements of concepts will be issued on the matters covered by existing exposure drafts.

Belgium

8. The Commission on Accounting Standards has published the following standards:

(a) Rights and contingent liabilities;

(b) Reserve for risks and working expenses;

(c) Transfer of a debt;

(d) Clearance between debts due and debts for payment;

(e) Depreciable base of revalued tangible assets.

9. Currently, a standard on consolidation of financial statements is being considered in compliance with the Seventh Directive of the Council of the European Communities.

Brazil

10. The basic accounting and reporting requirements applicable to Brazilian corporations are provided for by the Corporation Law enacted in 1978. Publicly held companies are subject to additional reporting requirements determined by the Brazilian Securities Commission (Comissao de Valores Mobiliários (CVM)). Regulated industries (utilities, banking and financial institutions, insurance, pension funds etc.) are subject to specific accounting and reporting requirements provided for in specific legislation. Tax legislation also affects accounting standards to a certain extent.

11. The Brazilian Institute of Accountants (IBRACON), the accounting profession's standard-setting body, working harmoniously with CVM and with the Central Bank of Brazil, issues technical pronouncements to set accounting standards on matters not specifically provided for by legislation.

12. During 1988 and 1989, the major accounting and reporting requirements affecting Brazilian corporations were (a) elimination and reinstatement of the monetary restatement of financial statements and (b) normative rulings from CVM.

(a) Elimination and reinstatement of the monetary restatement of financial statements

13. Under the inflationary conditions prevailing in Brazil, financial statements must be adjusted to reflect the effects of inflation. In January 1989, together with the announcement of the new economic plan known as the "summer plan", the Government eliminated the monetary restatement of financial statements provided for by corporate and tax legislation. With the failure of the summer plan, the monetary restatement of financial statements was reinstated by tax legislation.

(b) Normative rulings from CVM

14. Periodically, CVM issues normative rulings on accounting and reporting matters affecting publicly held corporations.

15. The following major subjects were dealt with by CVM:

(a) Elimination and reinstatement of the monetary restatement of financial statements;

(b) Supplementary price-level financial statements;

(c) Disclosures in financial statements;

(d) Accounting for gold;

(e) Accounting for pre-operating expenses;

(f) Accounting for losses on investments;

(g) Accounting for debt/equity conversion of ELETROBRAS loans.

Pronouncements from IBRACON

16. The following major accounting and reporting matters were dealt with by IBRACON:

(a) Elimination and reinstatement of the monetary restatement of financial statements;

(b) Supplementary price-level financial statements;

(c) Accounting for debt/equity conversion of ELETROBRAS loans;

(d) Accounting for gold;

(e) Accounting for pre-operating expenses;

(f) Accounting for tax exemptions.

Issues under consideration

17. The following issues are currently under consideration by CVM and IBRACON:

(a) Monetary restatement of financial statements - the need for further normative rulings;

(b) Supplementary price-level financial statements - the need for further enhancement of the principles adopted;

(c) Condensed financial statements - alternative ways for simplifying published financial statements for general purposes;

(d) Harmonization with IASC standards - ongoing efforts to harmonize the Brazilian accounting standards with those of the International Accounting Standards Committee (IASC).

Canada

18. Accounting standards in Canada are issued by the Accounting Standards Committee of the Canadian Institute of Certified Accountants (CICA) and are published in the CICA Handbook. Compliance with these standards is required by the Canada Business Corporations Act and certain Provincial Corporations and Securities Acts. The following new sections of the CICA Handbook have been issued since July 1988:

(a) Financial statement concepts (section 1000), December 1988. The purpose of this section is to describe the concepts underlying the development and use of accounting principles in general purpose financial statments of profit-oriented enterprises. It briefly covers such issues as: the objective of financial statements; benefit versus cost constraint; materiality; qualitative charactersitics (understandability, relevance, reliability, comparability, and trade-off between such characteristics); elements of financial statements (assets, liabilities, equity, revenues, expenses, gains, losses); recognition criteria; measurement; and generally accepted accounting principles. The section does not establish standards for particular measurement or disclosure issues.

(b) Future-oriented financial information (section 4250), September 1989 (estimated date). This section establishes standards for the measurement, presentation and disclosure of future-oriented information (i.e., information that assists in evaluating an entity's financial prospects) when presented for external users of financial information. In June 1989, the Ontario Securities Commission and the Commission des valeurs mobilières du Québec re-exposed proposals, originally exposed in June 1988, on the annual information form and management discussion and analysis.

19. The CICA Accounting Standards Committee has issued exposure drafts on the following subjects for comment by interested parties:

(a) Banks (November 1988);

(b) Pension plans (November 1988);

(c) Corporate income taxes (November 1988);

(d) Discontinued operations and extraordinary items (January 1989);

(e) Non-monetary transactions (January 1989);

(f) Property, plant and equipment (May 1989).

20. Other issues currently being considered by the Accounting Standards Committee are:

(a) Establishing a new cost basis;

(b) Accounting for subsidiaries;

(c) New financial instruments (being undertaken on a joint basis with IASC);

(d) Extinguishment of debt

China

21. On 13 April 1988, the first session of the Seventh National People's Congress adopted "The Law of the People's Republic of China on Co-operative Joint Ventures Using Chinese and Foreign Investment", which was promulgated for implementation on the same date.

Cyprus

22. Accounting and reporting in Cyprus is governed by the Companies Law. In addition, the Institute of Certified Accountants of Cyprus has adopted the International Accounting Standards in their entirety. Changes in the Companies Law are currently being considered by an ad hoc committee set up by the Government. Likely changes will be in relation to disclosure requirements in accounts.

Czechoslovakia

Developments in 1988 and 1989

23. The Federal Ministry of Finance issued the following decrees:

(a) Accounting for societies (No. V/2-19 598/88 of 24 November 1988);

(b) Accounting for small enterprises (No. V/2-19 40D/88 of 28 November 1988);

(c) Accounting for State enterprises (No. V/2-12 520/88);

(d) Regulation of the work of auditors and their appointment (No. 63/1989).

24. Law No. 173/1988 regulates joint ventures with foreign participation. They are legal entities and can be set up as a joint (stock) company or as an association (company). Joint ventures are organized according to the agreement between Czechoslovak enterprises or other organizations (one or several) and the foreign partner (corporation or person). This agreement, as well as any change in it, must be approved by the relevant Ministry. In case of foreign trade activity, joint ventures have to apply for general permission to the Ministry for Foreign Trade. Joint ventures are independent corporations and their activities are not related to the targets of the State plan. Joint ventures have to pay income tax (at the rate of 40 per cent of profit) and a social security contribution (at the

rate of 50 per cent of payroll) to the State budget. There is a possibility of a reduction of the rates mentioned above or of immunity from profit taxation (for the first two years of operation). As to the allocation of profits, Law No. 173/1988 determines the sequence of the allocation (first income tax, then allocations to various funds, which are obligatory e.g., the reserve fund, the reward fund and the cultural and social fund). Remaining profits can be used by the joint venture for the creation of other funds and for division among the shareholders.

25. Foreign shareholders (or foreign employees) may make payments abroad in foreign currency, if the payment represents their share of profits; the removal of the shareholder's equity in case of liquidation of the joint venture; income earned (after tax), if the employee has a place of residence abroad; the amounts designated for social security of the employee with a place of residence abroad.

26. The accounting of the joint venture is carried out according to Czechoslovak legal regulations in Czechoslovak currency (conversion of foreign currency into koruny is carried out in accordance with the official rate of exchange, issued by the Czechoslovak State Bank).

27. The following issues are under consideration:

(a) A uniform socio-economic information system (Law No. 21/1971);

(b) Information system of organizations (Decree No. 153/1971);

(c) Federal Ministry of Finance decree on accounting (No. 154/1971);

(d) Schedule of accounts for economic organizations (No. VII/9333/1985).

Egypt

28. Joint ventures are the entities in which Egyptian partners, public or private, participate with Arab or other foreign partners in carrying out ventures within the framework of State policy, objectives and priorities of the national plan for economic and social development. Such ventures are governed by the Investment Law (Law No. 159, 1981), concerning stock, partnership and limited liabilities companies or are ruled by a special law.

29. The Investment Law takes into account certain limitations of the financial operations of such companies. These limitations can be summed up as follows:

(a) Evaluation of capital invested:

(i) Machinery, equipment and raw materials imported from abroad to set up or expand ventures;

(ii) Nominal assets possessed by residents abroad such as patents and trademarks registered in a State of the International Association for Industrial Property or registered according to international agreements;

(b) Funds invested from abroad and profits are transferred and re-exported at the highest transference rate fixed at the date of transference or re-exportation;

(c) Ventures' sites are wholly or partly nationalized only in the public interest and in return for a fair compensation on the basis of the market value;

(d) Ventures' products should not be subject to State pricing and profit limitation;

(e) Housing units established should not be subject to the rent control system stipulated in rent laws;

(f) Certain tax exemptions should be given to ventures' profits or profits distributed to participants according to the agreed rules. Venture capital, as well, should be exempted from comparative stamp taxes for periods coinciding with profit exemptions;

(g) Ventures are entitled to open accounts in foreign currencies at the banks registered at the Central Bank. The investment executive statute defines resources and uses of such accounts;

(h) A percentage of net profits of such ventures, not less than 10 per cent, are annually distributed to employees according to the rules set by the board of directors and approved by the general society;

(i) Net profits of funds invested are wholly or partly transferred within the limitations of credit balance at the venture account in foreign currency and under provisions stipulated by the investment law and its executive statute;

(j) Invested funds transferred abroad should be exchanged at the highest rate according to the rate when liquidated or dispensed. Funds invested can be wholly transferred if the balance in foreign currency allows.

30. One of the most important developments in accounting and reporting that took place in 1989 was that the joint ventures in which the public sector shares were subjected to the control of the Central Auditing Organization (CAO). This control has two variants:

(a) A direct audit, which CAO performs by itself or by using one of the private sector comptrollers who are assigned by a resolution from the CAO president and who perform the work under the complete supervision of CAO. This type of audit is applied to the joint ventures in which the public sector share of capital is 25 per cent or more. Such companies prepare both their accounts and financial statements according to the accepted accounting rules, then present reports to shareholders' societies, including the public shareholder;

(b) An indirect audit, which CAO performs when the public entities' share in the joint venture is less than 25 per cent of total capital. The public shareholder in such companies has to submit to CAO the annual report of the accounts and any other significant details, statements or documents concerning

those companies. Thereafter, CAO sends its report to the public shareholders and to the responsible officials. The companies prepare their accounts and financial statements according to the accepted accounting rules.

France

31. The National Council of Accounting has published the following standards:

(a) Estimation of participation certificates by the equity method;

(b) Accounting for in-substance defaults;

(c) Fiscal rules for societies with an integrated fiscal system;

(d) Accounting system that proposes a logical reorganization of accounting and financial information (known as "crossed system");

(f) All listed stock societies have to publish a six-monthly treasurer's report;

(g) Societies issuing commercial papers must publish their trading accounts within four months following the end of the financial year.

32. The National Council is introducing an accounting system that would improve the performances of enterprises by putting at their disposal information that is up to date, pertinent and accurate. This system, known as the "crossed system", proposes a new method for organizing accounting and financial information. In 1989, the Commission on Market Operations finished its work on the recommendation concerning the use of new financial instruments. The National Council will consider an accounting standard for new financial instruments and investments in intangibles assets.

Germany, Federal Republic of

33. During 1988 and 1989, no new legal requirements governing corporate accounting and reporting have been introduced. In 1988, for the first time, all public and private companies limited by shares had to disclose annual accounts (balance sheet, profit and loss account, notes) based on the Accounting Directives Law of 19 December 1985, implementing the Fourth, Seventh and Eighth Directives of the Council of the Economic Communities in the law of the Federal Republic of Germany. At the same time, most parent companies used the new provisions on consolidated accounts.

34. In addition to legislative measures, the Institut der Wirtschaftsprüfer supports the process of setting accounting standards by developing expert opinions. For the period in question, the following pronouncements are of particular interest.

(a) Annual accounts (balance sheet, profit and loss account, notes)

35. Following the Accounting Directives Law, questions have arisen with respect to the definition and valuation of pension obligations and reporting on those obligations. The Auditing and Accounting Standards Committee (AASC), has examined these issues and published its recommendations in statement 2/1988. The Accounting Directives Law provided for a new definition of the principle of consistency of valuation and consequently required a definition of the concept of valuation methods, a determination of cases that allow for a deviation from this consistency principle and an explanation of the ensuing requirements for disclosure and substantiation (statement SABI 2/1987). An interpretation of the instrument of deferred taxation (so far unknown in the Federal Republic of Germany) was given in statement SABI 3/1988, which completes article 274 of the Commercial Code.

(b) Consolidated accounts (consolidated balance sheet, consolidated profit and loss account, notes)

36. The implementation of the Seventh Directive of the Council of the European Communities in German law provided for modification of the accounting provisions for consolidated financial statements and, consequently, from a practical point of view, required pronouncements giving concrete guidance. Examples include the pronouncements on the application of uniform valuation methods in consolidated financial statements (AASC 4/1988), on the requirement to draw up consolidated financial statements and to define subsidiaries (SABI 1/1988) and on the treatment of the difference resulting from capital consolidation (SABI 2/1988).

37. In 1989, the Ministry of Justice drew up a bill to bring statutory provisions in line with the Council Directive of 8 December 1986 (86/635/EC) on the annual accounts and consolidated accounts of banks and other financial institutions of the European Communities.

38. The Institut der Wirtschaftsprüfer is currently dealing with accounting principles for partnerships and for participating interests in partnerships, as well as with accounting principles for leasing applicable to the lessor.

Greece

39. By Presidential Decree 498/31-XII-1987, Greek legislation concerning companies has been harmonized with the following Directives of the Council of the European Communities:

(a) Third Directive of 9 October 1978 (78/855/EC) concerning mergers of public limited companies. The revised legislation has been applied since 1 January 1988;

(b) Sixth Directive of 17 December 1982 (82/891/EEC) on division of public limited liability companies. The revised legislation has been applied since 1 January 1988;

(c) Seventh Directive of 13 June 1983 (83/349/EEC) on consolidated accounts. The revised legislation has not yet come into force.

40. The Government is curretly considering the gradual compulsory application of the 1980 Greek General Accounting Plan (Presidential Decree 1123/1980).

Haiti

41. Haitian commercial law regulates accounting and requires that retail merchants submit an annual balance sheet to the Chamber of Commerce. Accounting issues that were under study include:

(a) The standardization of an accounting plan and systems and procedures of operation for commercial and industrial enterprises;

(b) The standardization of an accounting plan and systems and procedures of operation for non-governmental organizations;

(c) Revalution of financial statements for inflation.

These issues have not been resolved owing to the fact that, by a decision of the Ministry of Finance, the National Council on Accounting ceased its activities after 1987.

Hungary

The accountancy system

42. In 1988, the Ministry of Finance issued an explanation of the current features of the accountancy system in Hungary. According to the Act on Public Finances, the order of bookkeeping of enterprises is regulated by a decree issued by the Ministry of Finance. The General Compulsory Scheme of Accounts, published in accordance with this decree, summarizes the uniformly applicable normative rules of bookkeeping, which, in turn, ensure that the uniform economic information appears in the financial statements.

43. In the General Compulsory Scheme of Accounts, balance-sheet accounts and result accounts are distinctly separated, permitting the drawing up of the balance sheet and of a profit and loss account equivalent to it. The balance-sheet accounts and result accounts are supplemented by cost accounts. The balance sheet is drawn up from assets and liabilities accounts. The basis of the profit and loss account is the accounts concerning the costs of sales, the sales receipts and other costs and incomes. The types of costs schedule can be drawn up from the respective cost accounts.

44. Within the General Compulsory Scheme of Accounts, classes 1 to 4 contain balance-sheet accounts and, within this, classes 1 to 3 contain the accounts for fixed assets, stocks and cash receivables, while class 4 includes funds and liabilities (own and other resources).

45. In class 1, accounts for fixed assets and investments are shown. According to the principle of gross clearance, the gross value of fixed assets and their depreciation are shown in separate groups of accounts.

46. In class 2, all stocks, either bought or produced, are included. Raw materials, semi-fixed assets, purchased non-material goods, means of production, packing materials, livestock, finished and semi-finished products, social-purpose stocks and goods for sale are included in this class.

47. In class 3, payables are listed. Cash and deposit accounts, financial settlements, clearings with buyers, debtors, employees and members, claims from the State budget and other organizations (associations, affiliates etc.) and other assets invested elsewhere are included. Deferred assets are also shown in this class.

48. Assets are financed from own funds (owner's property fund and reserve property) and liabilities. Liabilities are accounts payable to suppliers, creditors, financial institutions, permanent liabilities and other credits that are recorded in class 4. Deferred liabilities, after-tax profit accounts, as well as the annual balance sheet and profit and loss accounts, are also included in class 4.

49. Classes 5 to 7 are designated to classify costs, group them by types of costs, places of costs and according to cost bearers (functions). Homogeneous cost elements are listed for each type of cost and give an answer to the content of expenditures (use of raw materials, labour, fixed assets etc). Basically, accounting by type of costs satisfies the information requirement of the national economy.

50. From among the result accounts, the direct costs of sales and various other costs, not represented in direct costs, are shown in class 8, and the incomes from sales are shown in class 9. The result of the company's activity (profit or loss) equalling the result shown in the balance sheet is the difference between total receipts and total costs.

51. Enterprises draw up their own system of accounts on the basis of the General Compulsory Scheme of Accounts and the Branch Account Schemes, taking due consideration of these regulations. Within this framework, the enterprise determines the scheme of accounts most suitable to its characteristics and internal information requirements, taking into account the features of its production (activity), its organizational structure, as well as specifics of the branch and the technology employed. This is especially valid for class 6, which is regulated in the General Compulsory Scheme of Accounts only within a broad framework. The enterprise can thus ensure that accounting serves as a means for effective management, for increasing the net worth and for promoting cost reduction.

Preparation of financial statements

52. The obligation of economic organizations to take inventories and draw up financial statements is regulated by Order No. 60/1987 (XII.7) of the Ministry of Finance. The Order establishes the method and frequency of stock-taking of assets and liabilities, their valuation and the obligation to draw up the balance sheet. All economic organizations, including share companies and limited liability companies established in accordance with the national law, come under the ruling of this Order.

53. The enterprise draws up a balance sheet on its financial status as at the end of the year and a profit and loss statement on the result of its economic activity.

54. The balance sheet contains, on the one hand, the property of the company and, on the other hand, the value of all sources of assets. The balance sheet is prepared on the basis of audited accounting records corrected by the figures of a properly conducted inventory and documents and on the basis of a trial balance. Balance sheets of consecutive years are interlinked so that the closing balance of one year is the opening balance of the next.

55. In the updated balance sheet, assets are listed according to their order of mobility, and the sources of assets according to the owner's equity and liabilities. This grouping makes solvency, creditability and indebtedness of the enterprise apparent to the interested parties.

56. The profit and loss statement contains the total revenue of the enterprise (i.e., receipt from sales and other incomes), as well as the total costs (costs of sale, overhead costs not distributed to products, other expenses). From this, the net income of the accounting period is obtained, which equals the profit (or loss) stated in the balance sheet.

57. The closing financial statements include the following:

(a) Balance sheet;

(b) Profit and loss statement;

(c) Settlement of the result;

(d) Costs detailed by types;

(e) Informative data;

(f) Annexes showing settlements with the State budget.

Balance sheet for the year 1988

Assets		Liabilities (sources)	
01	Cash at bank and in hand	19	Short-term credits
02	Accounts receivable (debtor)	20	Accounts payable (creditors)
03	Other claims	21	Permanent liabilities
04	Stocks	22	Balance of tax settlements
05	Current working assets	23	Instalment payable in the next year on long-term liabilities

	Assets
06	Financial investments
07	Current (working) assets (from 01 to 06)
08	Fixed assets at gross value
09	Accumulated depreciation
10	Fixed assets at net value 08-09
11	Investments
12	
13	Fixed assets invested (10+11)
14	
15	
16	
17	
18	Total assets (07+13)

	Liabilities (sources)
24	Other short-term liabilities due within one year
25	Total current liabilities (from 19 to 24)
26	Non-current liabilities
27	Long-term credits (loans)
28	Homogeneous property fund
29	Reserve property
30	Other funds
31	After-tax profit (or loss) of the current year
32	Own funds (from 28 to 31)
33	
34	
35	
36	Total liabilities (sources) (25+28+27+32)

Simplified scheme of income statement

91-96	Revenues from basic activity	81-86	Prime costs of basic activity (production)
97	Revenues from activities outside basic activity	87	Prime costs accounted on activities outside basic activity
98	Consumption tax	88	Undivided (overhead) costs
99	Miscellaneous revenues	89	Miscellaneous expenses
	Revenues from sales and other revenues (R)		Costs of goods sold and other expenses (C)
	Loss if R < C		Profit if R > C

Ireland

58. There were no new legal requirements during 1988 and 1989. A statement of Standard Accounting Practice, SSAP 24. Accounting for Pension Costs was issued in May 1988.

59. The following issues are being considered for standard-setting:

(a) Accounting for special purpose transactions. This is currently in the form of exposure draft ED 42, issued in March 1988;

(b) Disclosure of related party transactions. At present, ED 46;

(c) Segmental Reporting. At present ED 45 issued November 1988;

(d) Fair value accounting;

(e) Accounting for Investments. Exposure drafts for (d) and (e) are expected during 1990.

60. Two further issues are at the discussion stage:

(a) Accounting for complex financial instruments;

(b) Revenue recognition.

Jamaica

61. The only new accounting standard issued by the regulating body, the Institute of Chartered Accountants of Jamaica (ICAJ), during 1988 and 1989 was a Statement of Standard Accounting Practice, C 23. Accounting and Reporting by Pension Plans.

62. Currently, the Accounting Standards Committee of ICAJ is reviewing the following International Accounting Standards for possible adoption and issue as local standards.

IAS-27 Consolidated Financial Statements and Accounting of Investments in Subsidiaries;

IAS-28 Accounting for Investments in Associates.

63. ICAJ has issued an exposure draft based on IAS-17, Accounting for Leases. It is anticipated that the final decision concerning its adoption will take a long time.

Jordan

64. The Jordanian Association of Certified Public Accountants (JACPA) elected its first Board of Directors on 16 January 1988 in accordance with the decree of the Council of Ministers enunciating the by-laws of JACPA, as required by the 1985 law regulating the public accounting profession in Jordan. In 1989, the Board of

Directors of JACPA resolved the adoption of the accounting and audit standards of the International Federation of Accountants (IFAC) with a two-year grace period during which JACPA members would be guided by these standards. After the grace period, such standards will become mandatory. The resolution also specified that JACPA may overrule any specific standard of IFAC. This has already been exercised in a standard governing the statement of assets and liabilities expressed in foreign currencies, thereby delaying the mandatory application of the relevant IFAC standards by five years.

65. Owing to the current austerity measures adopted by the Jordanian Government in its efforts to reduce foreign debt, the Jordanian economy has witnessed a flourishing black market in foreign currencies. Importers requiring large sums of foreign currencies had no choice but to revert to the black market to satisfy current commitments and obligations, as the central bank and major financial institutions were unable to furnish such amounts.

66. Since dealing in the black market is prohibited, although indirectly encouraged by financial institutions, a problem has arisen concerning the handling of such transactions in the accounts, bearing in mind the absence of any documentary evidence verifying these transactions.

Kenya

67. Kenya recently adopted the following accounting standards:

Accounting for the effects of changes in foreign exchange rates;

Accounting for income tax;

Group accounts:

Subsidiary companies;
Associated companies;

Accounting for goodwill;

Accounting for investments.

68. The following issues are being considered for standard-setting:

(a) Related party transactions;

(b) Revenue Recognition;

(c) Accounting for property, plant and equipment.

Mauritius

69. The Stock Exchange Act (1988) was enacted in December 1988. The Act regulates stock exchange operations in Mauritius and sets up a control and supervisory body, known as the Stock Exchange Commission and a company, the Stock Exchange of Mauritius Ltd., to operate and maintain the stock exchange.

70. The objectives and powers of the Commission are defined under the Act. The Act also deals with the objectives and rules of the stock exchange company as well as the following:

(a) Licensing of persons authorized to deal in securities;

(b) Listing and trading operations;

(c) Accounts, audit and disclosure requirements;

(d) Compensation fund;

(e) Prohibited dealings.

71. The Mauritius Accounting and Auditing Standards Committee Act (1989) was enacted in 1989. The purpose of the Act is to set up the Mauritius Accounting and Auditing Standards Committee, with the following objectives:

(a) To formulate and publish accounting and auditing standards and guidelines;

(b) To advise the Minister of Finance on the improvements and harmonization of accounting and auditing standards.

The Act provides that, in formulating accounting and auditing standards and guidelines, the Committee may take into account the standards published by any recognized organization engaged in promoting accounting and auditing standards.

72. The following issues are currently being considered for standard-setting:

(a) Disclosure of accounting policies;

(b) Information to be disclosed in financial statements;

(c) Revenue recognition;

(d) Statement of source and application of funds;

(e) Valuation and presentation of stock and work in progress;

(f) Accounting for property, plant and equipment;

(g) Depreciation accounting.

Mexico

73. Enterprises must satisfy the accounting and reporting requirements as set out in the federal fiscal code. Certain recommendations have been made concerning revisions pertaining to public accountants in order to improve the quality of their work. Suggested additions would include that the accounting profession certify that the public accountant has completed the necessary

auditing studies and that he or she is active in the profession. In regard to auditing standards, the fiscal authorities are considering requiring the public accountant to obtain documentary evidence to support facts and criteria which underly the financial statements. Public accountants would also have to state that the financial statements are prepared according to generally accepted accounting principles and that those principles were applied consistently.

Morocco

74. The Council of Ministers approved the decree establishing the General Code of Accounting Standards which is to be applied first to public enterprises and later to all enterprises. The Code contains the basic principles of standard-setting and the general accounting plan for enterprises. The decree also establishes the National Council on Accounting which will be in charge of standard-setting. The objectives of this Council were described in the report of the Secretary-General entitled "Review of important current developments in the field of accounting and reporting by transnational corporations: national level" (E/C.10/AC.3/1989/3).

The Netherlands

75. The Netherlands statute law or related statutory regulations will have to be amended so as to implement the Fourth Directive of the Council of the European Communities on financial statements of financial institutions, as well as the Council Directive on investment trusts.

Nigeria

76. During 1989 the Nigerian Accounting Standards Board issued a Statement of Accounting Standards SAS 9, Accounting for Depreciation.

Peru

77. In Peru, Law No. 24680 established the National Accounting System. During 1988 and 1989, recommendations were made concerning the revaluation of fixed assets. The accounting for operations of enterprises is governed by the accounting plan. The accounting plan does not take into consideration the effects of inflation. The College of Public Accountants has recommended that independent auditors draw attention to the fact that information prepared on a historical cost basis does not reflect price changes, which have been significant in Peru (1,722 per cent in 1988 and 724 per cent between January and July 1989).

Singapore

78. The Institute, as a member body of the International Accounting Standards Committee and the International Federation of Accountants, has adopted virtually all the International Accounting Standards (IAS) issued. The Institute's Statements of Accounting Standards (SAS) and Provisional Statements of Accounting Standards (PAS) are largely based on the

International Accounting Standards. The following Statement of Accounting Standards and Provisional Statement of Accounting Standards were adopted and issued in 1988 and 1989:

		IAS equivalent	Effective date
	Statement of Accounting Standards		
SAS 24	Accounting and Reporting by Retirement Benefit Plans	IAS 25	1 January 1988
	Provisional Statement of Accounting Standards		
PAS 13	Consolidated Financial Statements and Accounting for Investments in Subsidiaries	IAS 27	At present, PAS 13 is issued for comments.

79. The following International Accounting Standards and exposure drafts issued by IASC are being considered by the Institute's Technical Committee:

IAS 28. Accounting for Investments in Associates;

ED 32. Comparability of Financial Statements.

Spain

80. During 1988-1989, the following laws were passed:

(a) Law 19/1988, 12 July, promotes transparency through auditing;

(b) Law 24/1988, 28 July, regulates the stock market;

(c) Decree 302/1989, 17 March, establishes the Institute of Accounting and Auditing which assumes the function of standard-setting. The Institute has designed a general accounting plan according to the Directive of the Council of the European Communities;

(d) Law 19/1989, 25 July, on partial reform and adaptation to commercial legislation of the Directives of the Council of the European Communities for companies with share capital. It obliges the companies to formulate annual statements and to issue consolidated state ents.

Sweden

81. During 1988 and 1989, the following standards governing corporate accounting and reporting of international interest, came into existence:

(a) SASB Statement No. 5. Accountancy of government grants (BFN R5). The contents are in harmonization with the principles of IAS 20, Accounting for Government Grants and Disclosure of Government Assistance. According to BFN R5, the stipulation for the grant determines whether a grant will be entered as an income item or as a liability;

(b) SASB Statement No. 7. Valuation of foreign currency transactions (BFN R7). This statement has as its reference IAS 21, Accounting for the Effects of Changes in Foreign Exchange Rates. According to BFN R7, the total claims and liabilities in foreign currency will be valuated at the balance-sheet rate. Certain unrealized exchange profits that appear will not influence the result. It will be allocated to a foreign exchange reserve.

82. The questions of international interest to be considered are goodwill, segment reporting and long-term contracts in consulting firms.

Switzerland

83. In 1988, the Swiss Accounting Standard Board (FER) published exposure draft FER 3 on principles underlying the presentation of financial statements (for example, materiality and consistency). Adoption of this recommendation has been postponed because of the delay in the implementation of corresponding rules proposed by the ongoing revision of Swiss company law. The delay was caused by a public discussion of whether or not rules governing takeover bids or defensive actions of boards, for example, on the registration of stock holders, should be included in Swiss company law.

84. Exposure draft FER 4 on foreign currency translation received positive comments and was adopted on 5 September 1989.

85. Exposure draft FER 5 on valuation rules for consolidated financial statements will be published for the usual public discussion in November 1989. Exposure draft FER 6 on cash flow data is currently under study.

Togo

86. Togo does not yet have a national accounting plan or accounting standards apart from the fiscal legislation. The National Council of Accounting is studying an accounting plan. It should be noted that in 1988 and 1989 the Government adopted a system for information management for public enterprises. It will contain a set of uniform financial tables for each enterprise.

United Arab Emirates

87. The legal requirements and standards governing corporate accounting and reporting in the United Arab Emirates are stated in the respective laws, regulations, memoranda and articles of association of the public and private corporations and companies. These requirements and standards are stated in accordance with the provisions of the laws and directives issued by the Government at both the federal and local levels. In 1988 and 1989, there were no major legal requirements in this respect.

Union of Soviet Socialist Republics

Accounting regulations in general

88. The Ministry of Finance is responsible for developing accounting regulations which are approved by the Council of Ministers. The Ministry of Finance establishes rules for enterprise accounting, methods of assessment and duties, rights and responsibilities of the accounting staff. The most important regulations governing general practices are contained in the following decrees and/or orders:

Decree No. 59, 24 January 1980: Regulations for Chief Accountant, Council of Ministers of the USSR;

Decree No. 633, 29 June 1979: Regulations for Financial Reports and Balance Sheets, Council of Ministers of the USSR;

Order No. 40, 28 March 1985: Chart of Accounts, Ministry of Finance.

89. Accounting information is systematized on the basis of the uniform chart. The chart contains 72 so-called aggregated or combined accounts (first-level accounts) and sub-accounts or intermediary accounts (second-level accounts), which are used in bookkeeping, depending on the requirements of control and reporting. Enterprises have the right, with the approval of the Ministry, to introduce additional sub-accounts and to exclude or combine separate sub-accounts.

Financial reporting by joint ventures

90. Accounting regulations for joint ventures are based on the concepts and principles developed for State-owned enterprises - "Regulations of Financial Reports and Balance Sheets" - approved by the Council of Ministers of the USSR on 29 June 1979. Specific features of these regulations for joint ventures are given in the Instructions of the Ministry of Finance and the State Statistical Committee of 27 February 1987, 3 May 1988 and 8 August 1989. They determine the form of financial reports, including the valuation of investments, fixed assets, inventory, cash and settlements, detecting divergences between book value and physical inventory; the creation of reserves, writing-off assets, deficits and losses, debts, uncollectible accounts receivable, dates and addresses for submission of reports, consideration and approval of reports, ways of introducing alterations and amendments to reports.

91. Joint ventures are also regulated by their own charter and articles of agreement and by decisions taken by their board of directors. The memorandum of association of a joint venture can play an important role in organizing accounting and reporting.

United Kingdom of Great Britain and Northern Ireland

92. A bill is before Parliament to implement the Seventh and Eighth Directives of the Council of the European Communities (dealing with consolidated accounts and the qualifications of auditors, respectively). The new requirements for consolidated accounts are expected to be brought into force early in 1990. The main practical change will be a widening of the definition of subsidiary undertakings for the purpose of consolidated accounts. The new arrangements for authorization and monitoring of auditors will take longer to implement. The bill also creates a facility for listed companies to send only a summary financial statement to shareholders if the individual shareholders agree.

93. Only one new standard was issued - SSAP 24 on pension costs. However, the following existing standards were revised:

SSAP 9. Stocks and work in progress;

SSAP 13. Research and development expenditures;

SSAP 22. Goodwill (a short-term revision pending a fundamental review).

94. The United Kingdom standard-setting body also adopted the IASC "Framework for the Preparation and Presentation of Financial Statements".

95. Topics on which exposure drafts have been issued and standards are being or will be developed include the following:

(a) Off-balance-sheet finance;

(b) Government grants (a revision to an existing standard);

(c) Segmental reporting;

(d) Related party transactions.

96. Existing standards concerning the following are being reviewed:

(a) Associated companies;

(b) Disclosure of accounting policies (also to cover materiality);

(c) Business combinations and goodwill;

(d) Group accounts;

(e) Statements of source and application of funds;

(f) Topics being addressed prior to the exposure draft stage;

(g) Fixed assets and revaluations, including brands;

(h) Fair value in the context of acquisition accounting;

(i) Accounting for investments.

Zaire

97. Edict No. 89/015 of 18 February 1989 replaces a 1969 edict concerning a system of decreasing amortization and exceptional amortization. Edict No. 89/016 reduces the contribution rates of rental incomes and of individuals.

98. Edict No. 89/017 regulates the revaluation of fixed assets. Departmental circular No. 2170 of 19 July 1989 interprets Law No. 76/020 and Edict No. 76/150 on the valuation of stocks.

99. Accounting issues to be considered in the future include: accounting for agriculture, banking, insurance, intangibles, accounting for operations undertaken in foreign currencies, government accounting and the accounting profession.

UNITED
NATIONS

E

Economic and Social Council

Distr.
GENERAL

E/C.10/AC.3/1990/4
10 January 1990

ORIGINAL: ENGLISH

COMMISSION ON TRANSNATIONAL CORPORATIONS
Intergovernmental Working Group of
Experts on International Standards
of Accounting and Reporting
Eighth session
13-23 March 1990
Item 3 (a) of the provisional agenda*

PROGRAMME OF WORK OF THE INTERGOVERNMENTAL WORKING GROUP OF EXPERTS ON INTERNATIONAL STANDARDS OF ACCOUNTING AND REPORTING: REVIEW OF IMPORTANT CURRENT DEVELOPMENTS AT THE GLOBAL AND NATIONAL LEVELS IN THE FIELD OF ACCOUNTING AND REPORTING BY TRANSNATIONAL CORPORATIONS

International survey of financial statements published by transnational corporations and other enterprises

Report of the Secretary-General

SUMMARY

The present report contains the results of an international survey of the financial statements of transnational corporations and other enterprises. The survey analyses information relating to 39 accounting items. The enterprises were selected in a manner which respected geographic and sectoral balance: 165 enterprises are from developed market economies, 26 are from developing countries and 3 are from centrally planned economies. The overall score for disclosure of all items is only 59 per cent or "average". This result should be a cause for concern among international standard setters after more than a decade of efforts. If the disclosure practices of transnational corporations from developed market economies are compared with those firms from other countries, there is a wide divergence in the scores (61 per cent compared with 42 per cent). There are major disclosure problems in accounting for some items, such as corporate position and results by segment; accounting for inflation; intragroup transactions and employment. The main conclusion of the survey is that harmonization efforts must be accompanied by periodic monitoring and more effective mechanisms to ensure compliance.

* E/C.10/AC.3/1990/1.

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INTRODUCTION

1. Recent events in the financial world have caused a great deal of concern about the quality and quantity of information available to users of financial statements. For example, the crash of the United States stock market in 1987 and the continued volatility in 1989, the failure of numerous United States savings and loan institutions, the world-wide growth in the use of new financial instruments, advances in telecommunications (including program trading of stocks), as well as the current wave of mergers and acquisitions with its attendant asset stripping, have lead many financial experts to question the adequacy of the information provided in corporate financial statements.

2. The lack of comparability among financial statements limits their usefulness in analysing global economic trends. To regulate adequately the global capital market, global rules are needed. A number of national regulators have recently called for comparable rules of accounting and disclosure by companies listed on their stock exchanges. While capital flows do not seem to be impeded for lack of better disclosure or comparability, no one can deny that investors need improved information to assess the true risks and potential rewards of their decisions. For that, regulators must have a structure in place to govern cross-border activity, which will be even more important in 1992 than today. Without such improvements, the transparency and stability of the global capital market cannot be assured.

3. The Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting, since its establishment in 1982, (see Economic and Social Council resolution 1982/67), has devoted itself to the discussion of which items should be disclosed in financial statements and how they should be disclosed. Since the Group is the only global forum with balanced geographical representation, its pronouncements can have far-reaching impact. In 1988, the Group's conclusions on information disclosure were published in a comprehensive, systematically structured document entitled Conclusions on Accounting and Reporting by Transnational Corporations, 1/ which provides a basis upon which financial statements can be evaluated.

4. With the publication of its Conclusions, the Group found it appropriate to take stock of the current situation regarding the adequacy of accounting and reporting by transnational corporations. Such an exercise reveals both the level of corporate compliance with international standards, as well as the deficiencies in international requirements. On the basis of the survey results, the Group could then adjust its future work programme to take into account any weaknesses in corporate accounting and reporting.

I. PURPOSE AND SCOPE OF THE SURVEY

5. The survey relating to the disclosure of financial information by transnational corporations and other enterprises was undertaken by Price Waterhouse (Brussels) on behalf of the United Nations Centre on Transnational Corporations, in accordance with the terms of reference set out in annex II to the present report.

The purpose of the survey was to analyse the availability and comparability of information disclosed by selected transnational corporations and other enterprises in their financial statements. Some 194 transnational corporations and other enterprises from 23 countries in different regions of the world and from various industries were selected in a manner that ensured geographic and sectoral balance. The financial statements of 165 transnational corporations from developed market economies, 26 transnational corporations from developing countries and 3 enterprises from centrally planned economies were examined.

6. The basic criteria for company selection were that companies should have significant transnational business activities and that they publish consolidated financial statements. In the course of the survey, however, it became clear that in those countries in which consolidation is not required many companies do not produce consolidated financial statements. It was decided, nevertheless, to retain some of these companies in the sample in order to indicate to the Group where this occurs. Most of the companies selected are quoted on stock exchanges, but a few non-quoted companies are also included. The statements of these companies have to be publicly available, that is, published or publicly accessible filings with government bodies or stock exchanges.

7. Financial statements for 1987 and 1988 were examined, thus establishing a benchmark from which progress in complying with international standards could be measured. The accounting items recommended for disclosure by the Group in its Conclusions constituted the basis for analysing the adequacy of the financial statements. To ensure the comprehensiveness of the survey, however, additional items were added, thereby allowing the Group to see where future work might be necessary.

II. RESULTS BY ACCOUNTING ITEM

8. The extent to which different accounting items are disclosed in financial statements was divided into four categories: high level of disclosure (more than 80 per cent); good (between 65 and 80 per cent); average (between 50 and 65 per cent); and low (less than 50 per cent). The overall score for disclosure of all items is only 59 per cent or "average". This result should be a cause for concern among international standard setters after more than a decade of efforts. However, enterprises report on some items more frequently than on others. As can be seen from table 1, enterprises almost always publish consolidated balance sheets and income statements, describe their corporate structure and activities, report sales, operating results and new investments as a whole and their accounting policies. However, they frequently do not give details relating to sales, operating results, new investments, assets and employees by geographic area or sector. Nor do they inform users of financial statements about intergroup transactions and pricing, depreciation rates and accounting for inflation.

Table 1. Degree of compliance by accounting item

High level (80 per cent)

- Consolidated balance sheet
- Statement of income
- Sources and uses of funds
- Auditor's report
- Parent's location
- Main activities
- Sales
- Operating results
- New investments as a whole
- Description of accounting policies used
- Criteria for inclusions and exclusions
- Valuation of inventories
- Depreciation methods
- Foreign currency translation method

Good level (65-80 per cent)

- Allocation of profits
- Main affiliates
- Sales by line of business
- Assets employed
- Average number of employees
- Valuation of property, plant and equipment

Average level (50-65 per cent)

- Percentage of ownership
- Sales by geographical area
- Employees' cost as a whole
- Main activities by geographical area

Low level (50 per cent)

- Operating results by geographical area
- New investments by line of business and by geographical area
- Assets by line of business and by geographical area
- Employees' cost by geographical area
- Number of employees by geographical area
- Intergroup transactions and pricing
- Investments in group and associated enterprises
- Depreciation rates
- Price changes and inflation
- Criteria for segmentation by line of business and by geographical area

Note: The use of the terms high, good, average and low is merely descriptive and not statistical.

III. RESULTS BY COUNTRY

9. With only seven transnational corporations falling into the "high" category, the transnational corporations surveyed can be described as having an average level of disclosure. If the disclosure practices of transnational corporations from developed market economies are compared with those of transnational corporations from other countries, the respective scores diverge by about 20 percentage points. Nevertheless, the disclosure performance of transnational corporations from developed market economies can be rated only as "average" (61 per cent), whereas that of transnational corporations from developing countries and centrally planned economies can be rated as "low" (42 per cent) (see table 2). Considerable variations exist across countries. The transnational corporations that had the highest scores were from Canada, the United Kingdom of Great Britain and Northern Ireland, the United States of America, Kenya, Malaysia and Singapore (see annex III for detailed results by country).

Table 2. Degree of compliance, by country

Country	Yes (Percentage)	No (Percentage)
Australia	63	37
Belgium	44	56
Canada	67	33
France	61	39
Germany, Federal Republic of	58	42
Italy	62	38
Japan	49	51
Netherlands	61	39
Sweden	63	37
Switzerland	46	54
United Kingdom	72	28
United States	68	32
Average	61	39
Argentina	28	72
Brazil	46	54
China	14	86
Hungary	8	92
Kenya	59	41
Malaysia	77	23
Mexico	43	57
Republic of Korea	41	59
Saudi Arabia	46	54
Singapore	56	44
Zambia	54	46
Average	42	58
Overall average	59	41

Note: The overall average is a weighted average, rather than a simple average of the averages.

IV. RESULTS BY SECTOR

10. There is much less variation in the results when analysed by sector of economic activity. Transnational corporations in primary and secondary activities disclose about an equal amount of information, whereas service transnational corporations disclose somewhat less information (see table 3).

Table 3. Degree of compliance by sector

	Yes	No
	(Percentage)	
Extractive		
Crude oil, natural gas production and refining	58	42
Metal ore mining	61	39
Average	60	40
Manufacturing		
Food, beverages, tobacco	62	38
Textile, wearing apparel, leather	51	49
Paper and paper products, printing, publishing	65	35
Chemicals, petroleum and allied products	59	41
Coal, rubber, plastic products	52	48
Fabricated metal products, machinery	54	46
Electrical machinery	58	42
Transport equipment	60	40
Aircraft	68	32
Other manufacturing	61	39
Average	60	40
Services		
Construction	56	44
Wholesale and retail trade	54	46
Transport and storage	63	37
Communications	51	49
Business services	29	71
Other services: community, social, personal, health care	60	40
Tourism	54	46
Average	55	45
Overall average	59	41

Note: The overall average is a weighted average, rather than a simple average of the averages.

V. FINDINGS AND CONCLUSIONS

11. The following findings may be drawn from the survey:

(a) There are major disclosure problems for some accounting items such as corporate position and results by segment, accounting for inflation, intragroup transactions, and employment;

(b) Disclosure by transnational corporations are far fuller for those items where there is a national requirement;

(c) Transnational corporations from developed market economies generally provide more complete information than firms from other countries;

(d) There are no significant variations among transnational corporations in the primary and secondary sectors but transnational corporations in the tertiary sector disclose less information.

12. In sum, despite the growth in international efforts devoted to standard-setting and harmonization, information disclosure world-wide can only be rated as "average". The main cause would appear to be that no international organization (except for the European Community - whose members also earned average scores) has the power to set and enforce international standards. Those managers from transnational corporations who do comply with international standards probably do so out of stock market considerations. The size and complexity of operations of transnational corporations is also thought to improve compliance. 2/ One would hope that transnational corporations disclose information out of enlightened self-interest since such disclosure is bound to increase public confidence.

13. The main conclusion of the survey is that harmonization efforts must be accompanied by periodic monitoring and effective mechanisms for ensuring compliance. It is worth pointing out that no country, not even the most sophisticated from among the developed market economies, is likely to comply with international standards unless it can be assured that other countries have done likewise. No country would be willing to risk putting its transnational corporations at a competitive disadvantage. Compliance could be attained through international pressure resulting from an international convention on accounting standards. Whatever the form such pressure ultimately takes, it should be efficient and politically expedient. An international convention on accounting standards might be considered or, if this is too cumbersome, at least an accord by the regulators of the major capital markets.

Notes

1/ United Nations publication, Sales No. E.88.II.A.18.

2/ Sidney J. Gray, Disclosure Behaviour by Multinational Corporations and the Development of Supranational Accounting Standards (Glasgow, University of Glasgow, 1984).

Annex I

COMPARISON WITH OTHER SURVEYS

1. The results of the survey might be open to question since the selection of companies was not random. The need for geographical and sectoral balance influenced their selection. Availability of published financial statements also introduced a certain bias. In addition, the "no" responses could be ambiguous since it was possible that a particular item of information was not relevant to an enterprise's operations. For example, if an enterprise did not have more than one line of business activity and, therefore, provided no segmented information by line of business, the appropriate response would be "not applicable" instead of "no". Therefore, it is useful to compare the results of the United Nations survey with the results obtained for similar items by other surveys.

2. Recent surveys that have been undertaken include the World Survey of Published Accounts, by D. J. Tonkin, a/ the Survey on the Application of the Disclosure of Information Chapter of the OECD Guidelines, by the Organisation for Economic Co-operation and Development (OECD) Working Group on Accounting Standards b/ and the Survey of the Use and Application of International Accounting Standards, by the International Accounting Standards Committee (IASC). c/

3. The study most similar to that of the Centre's is Tonkin's World Survey, in which disclosure practices of enterprises from developed market economies and developing countries are analysed. The geographic and sectoral distribution of the two studies was as follows:

	United Nations	Tonkin
Sectoral distribution (enterprises)		
Percentage in extractive	6.2	15.5
Percentage in manufacturing	72.2	49.0
Percentage in services	21.6	35.5
Geographic distribution (enterprises)		
Number in developed market economies	165	185
Number in developing countries	26	15
Other	3	0

4. The OECD study examines disclosure practices in its member countries only. The IASC study did not collect information on the disclosure practices of enterprises per se but rather asked its member countries to evaluate whether enterprise practices in their countries conformed to international accounting standards. The following table compares the results of the Centre's study with those of Tonkin's survey.

Enterprises surveyed disclosing information

(Percentage)

Accounting item	UNCTC (194) TNCs	Tonkin (200) TNCs
1. Consolidated balance sheet and income statement	95 95	91 91
2. Sources and uses statement	88	90
3. Auditor's report	94	97
4. Main affiliates	79	78
5. Main activities by geographic area	50	62
6. Sales by line of business	67	76
7. Sales by geographic area	62	54
8. Employee costs	50	53
9. Number of employees	73	90
10. Accounting policies	97	98
11. Valuation of inventories	90	94
12. Depreciation methods	89	83
13. Depreciation rates	13	48 a/
14. Accounting for inflation	12	10
15. Foreign currency translation	87	71 b/ 85 c/

a/ Rate and/or number of years of useful life.

b/ Income statement.

c/ Balance sheet.

5. The results of both studies point roughly to the same strengths and weaknesses. Most transnational corporations publish consolidated financial statements. Transnational corporations are not always forthcoming about identifying their main affiliates. In particular, Tonkin mentions that enterprises often do not include all their subsidiaries when consolidating. Tonkin notes that enterprises from the Federal Republic of Germany consolidate only domestic companies. Enterprises are also reluctant to give financial information by segment either by line of business or geographic area. Gray speculates that this is due to the desire to protect competitive positions. d/ Half the enterprises studied from Belgium and Japan do not disclose segmented information, and enterprises from developing countries rarely report segmentation. Non-financial information, such as employees' information, is also provided in only half the enterprises studied.

Tonkin comments, "Both the quantity and quality of employee related information provided varies considerably across the companies in the survey. At one extreme the casual reader of the accounts of some companies might be forgiven for not realizing that the companies had any employees at all. At the other extreme, are the ... companies which provide a separate employment section." e/ Both studies confirm the lack of interest in accounting for inflation. The vast majority of transnational corporations managers believe that, in the absence of compelling need and any clearly superior approach, the historical cost basis is adequate.

6. Tonkin's overall assessment is that there has been little improvement in reporting practices over the period from 1980 to 1988 and in some areas there have been definite moves backward (segmented disclosure, omission of subsidiaries from consolidation and inflation accounting). To fulfil their commitment to stability in international capital markets and to reduce risks for investors, Tonkin recommends that transnational corporations make the following improvements:

(a) Include all subsidiaries in consolidated statements;

(b) Disclose financial information by line of business and geographic areas;

(c) Make explicit and comprehensive statements of accounting policies;

(d) State the presence/absence/effect of business combinations on primary financial statements;

(e) Disclose off-balance-sheet financing;

(f) Disclose shareholders percentage of ownership.

Notes

a/ D. J. Tonkin, World Survey of Published Accounts (London, Lafferty Publications, 1989).

b/ Organisation for Economic Co-operation and Development, Working Group on Accounting Standards, Survey on the Application of the Disclosure of Information Chapter of the OECD Guidelines (Paris, 1989).

c/ International Accounting Standards Committee, Survey of the Use and Application of International Accounting Standards (London, 1988).

d/ Sidney J. Gray, Disclosure Behaviour by Multinational Corporations and the Development of Supranational Accounting Standards (Glasgow, University of Glasgow, 1984).

e/ Tonkin, op. cit., p. 22.

Annex II

TERMS OF REFERENCE FOR THE INTERNATIONAL SURVEY OF FINANCIAL STATEMENTS PUBLISHED BY TRANSNATIONAL CORPORATIONS

In response to the instructions given by the Intergovernmental Working Group at its fifth session (E/C.10/1987/6), the following terms of reference are proposed.

1. Selection of countries

Referring to financial statements of transnational corporations (i.e., statements reflecting the situation and performance of the enterprise as a whole), the survey includes, on an equitable geographical basis, a selection of home countries in which those corporations are based. The following countries have been selected because financial statements of transnational corporations in these home countries are readily available. The numbers in brackets are the number of transnational corporations to be surveyed.

North America	[40]
Canada	[10]
United States	[30]
Western Europe	[100]
Belgium	[5]
France	[15]
Germany, Federal Republic of	[15]
Italy	[10]
Netherlands	[15]
Sweden	[10]
Switzerland	[10]
United Kingdom	[20]
Other developed market	[30]
Australia	[10]
Japan	[20]
Latin America	[10]
Argentina	[3]
Brazil	[4]
Mexico	[3]

Africa	[6]
Egypt	[3]
Kenya	[1]
Nigeria	[1]
Zambia	[1]
Asia	[14]
India	[3]
Malaysia	[3]
Republic of Korea	[5]
Singapore	[3]
Centrally planned economies	
China	
Hungary	

2. Selection of companies

The basic criteria for company selection were that the companies concerned should have transnational business activities and that they publish consolidated financial statements. Most of the transnational corporations selected are quoted on stock exchanges but a few non-quoted companies are also included. The statements of these transnational corporations have to be publicly available, that is, published or publicly accessible filings with government bodies or stock exchanges.

3. Industry coverage

The survey is to cover a wide range of sectors, including manufacturing and service industries. Nevertheless, financial services, such as banks, which in many countries are subject to specific accounting requirements and regulations, have been excluded.

The industries to be covered include the following:

	ISIC
Agriculture, hunting, forestry, fishing	1
Mining and quarrying	2
Coal mining	21
Crude oil and natural gas production and refining	22
Metal ore mining	23

	ISIC
Manufacturing	3
Food, beverages, tobacco	31
Textile, wearing apparel, leather	32
Wood and wood products	33
Paper and paper products, printing, publishing	34
Chemicals, petroleum and allied products	35
Coal, rubber, plastic products	35
Petroleum refineries	353
Fabricated metal products, machinery and equipment	38
Electrical machinery	383
Transport equipment	384
Aircraft	386
Construction	5
Wholesale and retail trade	6
Transport, storage and communication	7
Transport and storage	71
Communication	72
Financing, insurance, real estate and business services	8
Engineering	8 324
Other services: community, social, personal	9
Health care	933
Tourism	6 and 7

Recognizing that many of the enterprises surveyed are engaged in a variety of activities, the above classification has been carried out on the basis of the predominant sector of activities in each case.

4. Selection of information items

The survey would be based on 1986/87 annual reports of the companies selected. The list of information items to be surveyed has been drawn from the items agreed to in previous reports of the Intergovernmental Working Group and the Ad Hoc Intergovernmental Working Group. To keep the survey manageable within limited resources and time constraints, the list has been confined to surveying the availability and/or comparability of the following important items:

A. Components of financial statements

Balance sheet
Income statement
Statement of sources and uses of funds
Statement of allocation of net profits or net income
Notes
Auditor's report

B. Information provided in consolidated financial statements

1. Structure of the transnational corporation

2. Main activities of its entities and the geographical areas (i.e., countries or groups of countries) in which these activities are carried out

3. Sales

For the transnational corporation as a whole
By major lines of business
By geographical areas

4. Operating results

By the transnational corporation as a whole
By geographical areas

5. Significant new investment (being understood as expenditure for the acquisition of, the replacement of or improvement to assets intended for the use on a continuing basis in the enterprise's activities)

For the transnational corporation as a whole
By major lines of business
By geographical areas

6. Employment costs and average number of employees

By the transnational corporation as a whole
By geographical areas

7. Transfer-pricing policies

8. Accounting policies, e.g., all significant accounting policies that have been used, including methods of consolidation, foreign currency, translation and methods of valuation.

5. Presentation of the survey

The survey results on availability and comparability of information items would be presented:

(a) On an aggregate basis

(b) By countries and/or regions

(c) By sectors

(d) By size of transnational corporation

(e) By degree of transnationality (foreign sales/total sales)

The questionnaires of individual companies would be kept on file but would not be presented in the survey documents.

6. Accounting policies

The notes to the financial statements should disclose all significant accounting policies that have been used, including overall valuation policies (for example, historical cost, application of a general purchasing power index, replacement value or any other basis). These disclosures should include in particular a description of the accounting policies concerning the following:

1. Methods of consolidation

   (a) Inclusion and exclusion of group enterprises in consolidation

   (b) Method used to account for unconsolidated subsidiaries and associated enterprises

   (c) Accounting treatment of the effects of intra-enterprise transactions and balances

   (d) Any changes in the composition of the enterprise as a whole

2. Transactions of group enterprises with associated enterprises

3. Investments in group and associated enterprises

4. Translation of foreign currency financial statements and transactions

5. Valuation of assets, inventories

6. Depreciation of assets

   (a) Inclusions/exclusions

   (b) Methods

7. Segementation

   (a) Criteria for selection of geographical areas

   (b) Criteria for selection of line of business

Annex III

DETAILED RESULTS BY COUNTRY

ITEMS / Country	A: Availability					B: Structure			Main activities		Sales			Operating results		New investments			Assets employed		
	1	2	3	4	5	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Australia	10	10	10	7	10	10	10	10	10	3	10	9	9	10	9	10	0	0	10	6	7
Belgium	4	4	2	4	4	5	5	5	4	4	4	3	2	3	0	1	0	0	0	0	0
Canada	14	14	14	12	14	14	7	2	14	8	14	11	12	14	11	13	8	4	13	7	10
France	17	17	16	7	17	17	17	17	16	13	17	12	11	17	8	13	7	7	9	5	6
Germany, Federal Republic of	15	15	11	15	15	15	15	14	15	8	15	11	12	15	0	15	1	2	1	0	0
Italy	8	8	8	5	8	8	8	8	8	5	8	5	5	8	1	8	1	1	7	1	0
Japan	18	18	14	7	19	18	19	4	17	14	18	11	6	18	2	18	0	0	12	0	1
Netherlands	9	9	9	7	9	9	9	8	8	2	9	7	7	9	4	9	1	1	8	1	0
Sweden	9	9	9	6	9	9	9	9	9	2	9	5	6	9	1	9	2	1	9	1	0
Switzerland	8	8	7	1	4	9	8	5	8	7	8	5	5	8	0	5	2	3	3	0	1
United Kingdom	20	20	20	18	20	20	20	19	19	18	20	17	17	20	16	20	1	3	14	7	7
United States	30	30	30	30	29	30	4	2	29	8	30	29	24	30	22	30	24	7	30	28	22
Developed market economies	162	162	150	119	158	164	131	103	157	92	162	125	116	161	74	151	47	29	116	56	54
Argentina	2	2	2	0	2	3	1	1	3	0	2	1	0	2	0	0	0	0	0	0	0
Brazil	5	5	5	4	6	6	5	5	4	0	5	0	0	5	0	3	0	0	1	0	0
China	1	1	0	0	1	2	0	0	2	0	1	0	0	1	0	0	0	0	0	0	0
Hungary	0	0	0	0	0	1	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0
Kenya	1	1	1	1	1	1	1	0	1	1	1	0	0	1	0	1	0	0	1	0	1
Malaysia	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	1	1	1	1
Mexico	3	3	3	0	3	3	3	2	1	0	3	0	0	3	0	0	0	0	3	0	0
Republic of Korea	4	4	4	1	4	6	5	1	5	1	4	1	1	4	0	3	1	1	5	1	0
Saudi Arabia	1	1	1	1	1	1	1	0	1	0	1	0	0	1	0	1	0	0	1	0	0
Singapore	4	4	4	4	4	4	4	4	4	2	4	2	2	4	1	3	0	0	4	1	1
Zambia	1	1	1	1	1	1	1	1	1	0	1	0	0	1	0	1	0	0	1	0	0
Developing countries	23	23	22	15	24	29	23	15	24	5	23	5	4	23	2	13	1	2	17	3	3
Total	185	185	172	134	182	193	154	118	181	97	185	130	120	184	76	164	48	31	133	59	57
Per cent yes/total	95	95	89	69	94	99	79	61	93	50	95	67	62	95	39	85	25	16	69	30	29

/...

Cost and average number of employees				Accounting policies		Inclusions/exclusions		Intragroup policy		Intragroup investments		Inventory valuation		Depreciation policy		Property		Price changes		Foreign currency		Segmentation criteria			
C																									
17	18	19	20	1		2		3	4	5	6	7		8	9	10		11		12		13	14	Total	Per cent yes
8	0	7	1	10		10		1	1	8	6	10		8	0	10		0		10		0	0	246	63
4	0	4	1	4		4		0	0	1	1	4		2	1	1		0		4		0	0	85	44
2	0	8	3	14		14		7	5	5	4	11		14	7	14		0		14		8	2	364	67
13	0	13	2	17		17		6	3	3	3	14		16	0	9		1		16		1	2	402	61
14	1	15	5	15		15		0	0	2	2	14		14	0	15		0		15		1	1	139	58
6	0	6	3	8		8		1	0	5	2	8		5	6	2		3		5		3	0	193	62
0	0	10	0	19		19		2	2	9	10	18		18	1	4		0		19		1	0	166	49
9	1	9	3	9		9		1	0	2	0	9		8	0	9		1		9		0	0	214	61
9	6	9	8	9		9		0	0	2	1	9		9	0	8		1		8		0	0	222	63
6	0	8	5	8		8		0	1	0	0	6		5	0	2		1		8		0	0	163	46
19	1	20	10	20		20		6	6	19	18	20		19	5	18		2		18		1	3	564	72
4	0	25	2	30		30		22	18	12	10	27		27	0	25		7		21		21	14	791	68
94	9	134	43	163		163		46	36	60	51	152		148	20	118		16		149		38	22	3 951	61
0	0	0	0	3		2		0	0	0	0	2		3	0	0		0		2		0	0	31	28
0	0	2	0	6		5		0	0	4	3	6		6	2	5		6		3		0	0	107	46
0	0	1	0	0		1		0	0	0	0	0		0	0	0		0		0		0	0	11	14
0	0	0	0	0		0		0	0	0	0	0		0	0	0		0		0		0	0	3	8
1	0	0	0	1		1		0	0	1	0	1		1	1	1		0		1		0	0	23	59
0	0	1	0	1		1		1	0	1	1	1		1	1	0		0		1		0	0	30	77
0	0	0	0	3		3		0	0	0	0	3		3	0	3		2		3		0	0	50	43
0	0	1	0	5		4		2	0	4	2	5		5	1	3		0		5		0	1	66	41
0	0	1	0	1		1		0	0	0	0	1		1	0	0		0		1		0	0	18	46
1	0	1	0	4		4		0	0	1	1	4		4	0	3		0		4		0	0	87	56
1	0	0	0	1		1		0	0	1	1	1		1	0	0		0		1		0	0	21	54
3	0	7	0	25		23		3	0	12	8	24		25	5	15		8		21		0	1	479	42
97	9	141	43	188		186		49	36	72	59	176		173	25	133		24		170		38	23	4 430	59
50	5	73	22	97		96		25	19	37	30	91		89	13	69		12		88		20	12		